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**Cabinet**

**17<sup>th</sup> July 2012**

Report of the Cabinet Leader

## **Economic Infrastructure Fund – July Funding Decisions**

### **Summary**

1. This report sets out proposals for the funding of four projects through the Economic Infrastructure Fund (EIF).

### **Background**

2. At its meeting of 3<sup>rd</sup> 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 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

Total allocations from the fund approved to date are £4.595M. 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 July Cabinet

8. The projects under consideration by July Cabinet include one project under the Reinvigorate York theme and three 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 July Funding Decisions**

|                                     | EIF Funding | Leverage (i.e. additional funding)   | Jobs Impact | Gross Value Added (GVA) Impact |
|-------------------------------------|-------------|--------------------------------------|-------------|--------------------------------|
| <b>EIF Theme: Reinvigorate York</b> |             |                                      |             |                                |
| Reinvigorate – Initial Package      | £200,000    | Match funding from private companies | N/A         | £320,000 <sup>1</sup>          |

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

| <b>EIF Theme: Sustainable Economy</b> |                   |             |                                |                                        |
|---------------------------------------|-------------------|-------------|--------------------------------|----------------------------------------|
| Digital Media Cultural Centre         | £1,400,000 (loan) | £2,000,000  | 142 (direct)<br>235 (indirect) | £6,200,000                             |
| Tour de France Campaign               | £50,000           | c. £250,000 | N/A <sup>2</sup>               | Up to £73,000,000 (total) <sup>3</sup> |
| Targeting Growth in key sectors       | £80,000           | N/A         | 150 (total)                    | £1,000,000 (total)                     |

11. The detail of the projects under consideration by Cabinet at its July meeting are included in Appendix 1. 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 – Initial Package of Projects (under the Reinvigorate York theme)**

#### **Funding requested: £200,000 (Grant)**

13. The **Reinvigorate York Initial Package of Projects** proposes using EIF monies to provide the initial critical investment in city centre infrastructure that will unlock this further investment. This package creates a step change in the public realm, via eight specific projects for immediate auctioning.

14. The eight projects include paving, lighting, seating as well as de-cluttering unnecessary signage, fencing, bollards and other items of street furniture.

<sup>2</sup> There will be jobs impact from the campaign – both direct from the event itself, but also potentially indirect from the supply chain for the event. However, there are currently no accurate estimates available – these are being developed with Welcome to Yorkshire.

<sup>3</sup> Impact if the event is held in the city, taken from figures produced in analysis of the impact on London as a result of the 2007 event. Figure is for GVA creation as a direct result of the event and not permanent GVA creation, which would be a smaller proportion of this. Social Research Associated (2007) [Tour de France – The Grand Depart 2007: research summary](#). Report commissioned by Transport for London

15. The Reinvigorate York programme is being led by Sir Ron Cooke, and Cllr Dave Merrett is the lead member. Progress was reported to Cabinet Decision Session on 1<sup>st</sup> December 2011, and the setting up of a City Centre Design Group agreed.
16. The programme is a key element of a wider programme of work being developed to facilitate the evolution of the future of York's city centre, and a core element of the emerging city centre investment and action plan being developed to support this evolution. This plan will identify both the future trajectory of the city centre economy and the interventions required to facilitate this economic transformation. The role of Reinvigorate York will be to ensure the city centre environment is of the quality required to attract the visitors and business investment to the city that the city's ambitious economic aims would suggest.

#### *Strategic Fit*

17. 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*

18. 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*

19. At £200K, 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.<sup>4</sup>

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<sup>4</sup> English Heritage (2010). Heritage Counts.

### *Recommendation*

20. It is recommended that funding for this project of £200K is approved.

### **Targeting Growth in Key High Value Sectors (EIF Theme: Sustainable Economy)**

#### **Funding requested: £80,000 (Grant, split over two years – 2012-13 and 2013-14)**

21. This project is designed to identify, initiate and deliver projects in the city's high value sectors as a way of promoting growth in GVA and jobs not only in these high value sectors, but through the supply chain providing benefits to a much wider range of business growth in the city.
22. The project will provide funding to the city's lead industry body for these high value sectors – Science City York – funding to provide dedicated resource in engaging with and most importantly, identifying the barriers to growth in these sectors, as well as solutions for retaining and growing the city's existing business base in these sectors, but also to attract new businesses in these sectors. The capacity provided by the SCY team will provide a critical opportunity to make a real difference in the way that the city develops the offer for existing businesses to grow and new businesses to locate in the city.
23. As part of this capacity, the city will have access to SCY's track record and expertise in identifying and securing external funds where appropriate.

### *Strategic Fit*

24. 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**.
25. 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. However, recent economic forecasts produced by the Regional Economist Unit suggest that these targets will be challenging if interventions are not undertaken to

proactively drive growth in the private sector – and particularly high value, high growth sectors like IT/digital, creative and biosciences

26. The city has significant potential in both retaining and attracting new presence in these key sectors, and the profile of these industries – high value, lower employment – mean that, alongside some of the general business support and employment work the city is undertaking, growth in these industries could fill a growing need for private sector growth.

#### *Deliverability*

27. The project is deliverable on the basis that SCY already have 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*

28. The project is considered good value for money, given the potential returns that the funding will provide by unlocking growth in industries that will have an impact throughout the York economy.

#### *Recommendation*

29. It is recommended that funding for this project of £80K is approved.

### **Tour de France Campaign (EIF Theme: Sustainable Economy)**

#### **Funding requested: £50,000 (Grant, split over two years – 2012-13 and 2013-14)**

30. The proposal for this project is to resource a campaign to bring the Tour de France Grand Depart Stage 2 to the city in 2014.
31. The Tour de France is the largest annual sporting event in the world, with 2bn spectators worldwide watching either live or on TV/internet/radio. The Grand Depart will be broadcast on 100 TV channels, 70 radios, 400 newspapers and press agencies, 70 websites, that is to say 2,300 journalists representing 35 nationalities (using 2011 figures), broadcasting in 185 countries on 92 channels, of which 60 transmit live coverage; and receiving 14 million unique visitors to its website, generating a platform for showcasing the city in which the event takes place.

32. The campaign for bringing the TdF Grand Depart to the city would be part of a larger campaign that has been developed by and will be managed by Welcome to Yorkshire. By providing resource to the campaign, the city of York will feature prominently in the marketing for the Bid. The iconic image of the Minster will be used and this will appear throughout the Grand Depart media coverage. For example, as part of the Eurosport's coverage of the event, which runs daily from June 30<sup>th</sup> – July 22<sup>nd</sup>. The image will appear nearly 1200 times and be seen by over 2 million people. The value of this package alone is £117,500.
33. The money provides the necessary contribution to leverage the support of a larger campaign from across the region that has the potential, beyond the weight of the city alone, to secure this event for our benefit and the benefit of the wider region.

#### *Strategic Fit*

34. The project delivers against Council Plan **Priority 1: Creating Jobs, Growing the Economy, Priority 2: Get York Moving, and Council Plan Priority 3: Build Strong Communities**, as well as with York Economic Strategy's **Ambition 5: Coordinated approach to investment** and its aims of **a more international York**. The project if successful, has the potential to bring significant increases in footfall as a result of the event itself as well as the indirect footfall generated by the promotion of the city to international markets.

#### *Deliverability*

35. The project is deliverable although there is the risk that the project is unsuccessful. However, Yorkshire's England Bid has high profile support from star sprinter Mark Cavendish and Team Sky team mate Ben Swift and Rapha Condor Sharp's Ed Clancy. The bid has full backing of the local authorities, police, transport companies as well as cross party political support and business community buy in – all of which will be critical to secure the confidence of the TdF organisers.
36. Further, the bid campaign itself provides an opportunity to raise the profile of York within the UK more generally simply as a result of the benefits.

### *Value for Money*

37. The bid offers significant value for money, given the potential overall benefits that the city might secure as a result of the TdF Grand Depart coming to the city. Given the benefits to London with their experience of the TdF Grand Depart of £88m benefit to the region and £35m media coverage.

### *Recommendation*

38. It is recommended that funding for this project of £50K is approved.

### **Digital Media and Cultural Centre (DMCC) (EIF Theme: Sustainable Economy)**

#### **Funding requested: £1,400,000 (Loan/Grant, 2012-13)**

39. This project seeks EIF funding to match against both private investment and potentially York and North Yorkshire, East Riding Local Enterprise Partnership (YNYER LEP) Growing Places Funding<sup>5</sup> to create business space for creative and digital industries in the city centre.
40. The project will provide creative professional business space for established creative and digital businesses as well as space for new and up and coming creative digital businesses with the availability of Pods and Pod packages that include creative and business mentoring. On site will be Public Exhibition Space that will promote international contemporary and digital art with a separate franchised Cafe Bar to service tenants and the general public.
41. The project will be run by a new social enterprise to be established, although the project is being steered by Science City York's Creative Network Chair, Marcus Romer, and the work to develop the project undertaken by the team at Bar Lane Studios.
42. The funding sought would be used to refurbish the building alongside the YNYER LEP Growing Places Funding. The EIF funding provided would most likely be a grant but with some element of loan funding. The due diligence process will be used to

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<sup>5</sup> Subject to YNYER LEP Board approval.



identify the exact mix of loan and grant funding that is most suitable and provides best value.

43. Several sites have been explored for the project, and a preferred site – the Bonding Warehouse - which is privately owned and would be leased to the social enterprise, is under negotiation, subject to conclusion of satisfactory agreement with the owner of the building.
44. The project has been inspired by the consistent problem that creative and media companies have of finding the physical accommodation they need to operate and grow in the city. There are a number of companies operating currently in spaces in and around the city that have advised of their difficulties in finding grow-on space, and the city has over the years, seen a number of businesses leave or seriously consider leaving the city to nearby destinations such as Leeds or elsewhere.
45. The project also addresses the demand for flexible, lower cost start up space. Most importantly, the project provides an iconic centrepiece in the city centre for the city's ambitions to be an internationally renowned City of Media Arts.
46. The project has been developed by the team at Bar Lane Studios working with the team at Science City York and support from City of York Council officers on behalf of the city.
47. The project details are set out in Appendix 1, although commercial confidentiality limit the extent of the detail provided. A business case is still through due diligence, and as such, any funding agreed by Cabinet would be subject to final sign off of the full business case and governance.

#### *Strategic Fit*

48. The project delivers against **Council Plan Priority 1: Creating Jobs Growing the Economy** and **York Economic Strategy Ambition 2: A More Competitive Business Base.**

### *Deliverability*

49. The project is considered deliverable on the basis that a preferred site has been identified and is under negotiation, and the project is subject to agreement with the owner of the building and suitable terms being agreed. Should negotiations over the preferred site fail, there are other options that have been identified as potential sites.
50. The project is also subject to due diligence and governance being agreed, including the make-up of the social enterprise.

### *Recommendation*

51. It is recommended that this project is agreed **subject to sign off of business case, governance, terms on the preferred site, and full due diligence being completed.**

### **Options**

52. The principal options open to Cabinet members are as follows:
  - Approve the three projects – Reinvigorate York, Targeting growth in key high value sectors and Tour de France campaign; and approve in principle the DMCC project subject to business case sign off.
  - Approve a mix of projects
  - Reject all projects

### **Analysis**

53. 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.
54. Whilst in some cases, estimating exact impacts is difficult, the projects represent significant contributions to key assets within the city – whether in the case of Reinvigorate, the city centre; in the case of DMCC and targeting growth in key high value sectors, the sectors the city has strengths in and the potential to grow; and in the case of the Tour de France campaign, the city's profile and ability to attract visitors and investment.
55. Individual project analysis is provided in the appendix according to projects.

## Consultation

56. The themes and governance for the taking of decisions on EIF projects were agreed at Cabinet on 3<sup>rd</sup> April.
57. The proposals presented have been considered by senior officer's 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

58. 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 £4.595m and are shown in Table 6 of Appendix 2

Recommended allocations within this report total £1.730m, and are summarised in Table 6 of the Appendix and shown below

| <b>Scheme</b>                                      | <b>EIF funding</b> | <b>Total value</b> |
|----------------------------------------------------|--------------------|--------------------|
| Digital, Media and Cultural Centre                 | £1,400,000         | 4,395,000          |
| Reinvigorate York                                  | 200,000            | 200,000            |
| Targeting growth in key high value sectors project | 80,000             | 80,000             |
| Tour de France campaign                            | 50,000             | 50,000             |
| <b>Total</b>                                       | <b>1,730,000</b>   | <b>4,725,000</b>   |

If all of these projects are approved the total approvals to date will be £6.325m

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 £116,000 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

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

### Equalities

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

### Legal

61. There are no legal implications arising from this report

### Crime and Disorder

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

### Information Technology

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

### Property

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

### Other

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

### **Risk Management**

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

| <b>Risk</b>                                                  | <b>Likelihood</b> | <b>Mitigation</b>                                                                         |
|--------------------------------------------------------------|-------------------|-------------------------------------------------------------------------------------------|
| <b>All projects</b>                                          |                   |                                                                                           |
| 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 |

|                                                            |        |                                                                                                                                                                                                |
|------------------------------------------------------------|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Reinvigorate York</b>                                   |        |                                                                                                                                                                                                |
| Deliverability of individual projects                      | Low    | Risks will be managed on a project by project basis                                                                                                                                            |
| <b>Targeting growth in key high value sectors</b>          |        |                                                                                                                                                                                                |
| Deliverability of specific projects may be challenging     | Medium | Risks will need to be managed on a project by project basis; however, the Council's Economic Development Unit will work closely with the SCY team to ensure specific projects are facilitated. |
| <b>Tour de France campaign</b>                             |        |                                                                                                                                                                                                |
| The bid may not be successful                              | Medium | The investment will strengthen the bid, and the Council will work with Welcome to Yorkshire to ensure sufficient support is provided to the project                                            |
| <b>DMCC</b>                                                |        |                                                                                                                                                                                                |
| The project may not be commercially viable                 | Medium | Council officers are working with the project through due diligence and any funding approval should be in principle and subject to full completion of this process.                            |
| The negotiation of terms over the preferred site may fail. | Medium | Other potential sites have been identified as options should the first preference site prove unviable.                                                                                         |
| The project may not be able to repay the funding           | Medium | See above                                                                                                                                                                                      |

## Recommendations

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

- £200K for Reinvigorate York scheme
- £80K for Targeting Growth in Key High Value Sectors

- £50K for Tour de France campaign
68. Cabinet is recommended to consider and approve in principle the following scheme, subject to sign off of business case, governance, terms on the preferred site, and full due diligence being completed, and a further detailed report back to Cabinet for final approval:
- £1.4m for Digital, Media and Cultural Centre

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

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**Wards affected:** All

For further information please contact the author of the report

### **Appendices:**

Appendix 1- Projects for consideration by July Cabinet