

Report of the External Funding Task Group

## **Interim Report - External Funding Scrutiny Review**

### **Summary**

1. This report presents an update on the work of the External Funding Scrutiny Review Task Group to date, and asks for agreement to revise the wording of the review objectives.

### **Background to Review**

2. At a meeting of the Economic and City Development Overview and Scrutiny Committee held in September 2012 Members received information on a potential scrutiny review proposed by Councillor Semlyen on 'Unlocking the potential of external funding for economic development and regeneration projects' (see Annex A).
3. The Committee noted that at a time when Council budgets were being increasingly reduced, there was a real and growing need to attract new forms of investment – whether private or public. And, whilst there may be less public funding available than in previous years, there remained significant opportunities in the form of European Regional Development Funding, Growing Places Funding and other opportunities such as the Regional Growth Fund. The Committee agreed to proceed with the Review and delegated the work to this Task Group.
4. On 15 November 2012 the Task Group met for the first time to receive some initial information (shown at Annex B) detailing:
  - a) The 'Future of European Funding Programmes 2014-2020 Consultation Process' and the priorities for City of York Council. It also highlighted the key issues raised via the consultation process, by local authorities from across the Yorkshire and Humber region, including:

- Geographic Boundaries/Place Based Programmes
- Matched Funding
- Reduced Administrative Burden
- Integrated and Aligned Programmes

b) The suggested principles, priorities and ambitions for European Union (EU) funds 2014-2020, for the Leeds and Sheffield City Regions.

5. The Task Group learnt there was likely to be an allocation of funding for the Yorkshire and Humber area, some of which would be sub-devolved to the Local Enterprise Partnerships (LEPS) across the region. York was currently a member of two LEPS namely the Leeds City Region LEP and the York/North Yorkshire/East Riding LEP. As yet, however, it was not known what the funding options were, how much funding would be devolved to LEP level, or what the eligibility criteria would be.
6. The Head of Economic Development and the Funding and Investment Officer advised there were questions still to be asked about agreeing the key priorities for the Yorkshire and Humber region and how more local priorities for York would link in with any regional priorities set.
7. The Task Group agreed that any available funding should be accessed for York's top investment priorities, and that there was work to be done to promote York's key investment priorities within the Leeds City Region LEP in particular.
8. In January 2013, the Task Group reported back to the Economic and City Development Overview and Scrutiny Committee on their initial findings, and as a result the following remit for the review was agreed:

#### Aim

To be more effective and systematic in securing external funding and investment for York

#### Key Objectives

- (i). To assess how Leeds City Region are articulating investment priorities, specifically looking at the case of the LEP European Regional Development Funding Programme being developed and broader European Funding.

- (ii). To assess what resources are available to City of York Council (CYC) to effectively identify and successfully secure funding (resources in this instance including CYC staff, additional or temporary staff, partnership staff, ability to provide match funding, up-skilling and training).
- (iii). To develop a plan for presenting a strong case to Leeds City Region LEP for funding York's top investment priorities.

## **Information Gathered**

### **9. Objective (i) - To assess how Leeds City Region are articulating investment priorities**

In February 2013 the Task Group met to consider introductory information on a number of key investment priorities for the city. They have been articulated in the York Economic Vision which includes a range of long term development opportunities across the City. These include the strategically important regional economic development sites at York Central and Heslington East, and the city centre locations of Hungate and Castle Piccadilly, key to increasing York's vitality and economic performance.

- 10. Other suburban sites, at Terry's and Nestle South offer locations ideally suited for high-quality employment uses. Long-term residential growth can also be accommodated at Germany Beck, British Sugar and Derwenthorpe. Development at several of these sites will need to contain community facilities, which together will provide a range of investments to strengthen community cohesion and improve the quality of life locally.
- 11. These sites, representing the principal private sector investment opportunities in the City, are vital for its future economic prosperity and would ideally be able to respond to a range of market opportunities and need, providing important growth capacity for a variety of economic sectors. The Task Group also learnt of other flagship initiatives such as the wish to develop a Digital and Creative Hub within the city centre.
- 12. In March 2013 the Task Group met again to consider detailed information on the top two priorities that the authority would be putting forward to the Leeds City Region LEP:
- 13. **York Central: Phase 1, Queen Street Quarter** - York Central is a 37 hectare brownfield site adjacent to York City Centre and the City's rail station. The site is largely owned by Network Rail, who will rationalise current uses to allow for redevelopment.

The first phase is a 2.9 hectare mixed use development accommodating 40,000m<sup>2</sup> of new and converted floor space including improved transport interchange facilities.

14. It is estimated it will create in the region of 1663 gross jobs (plus 580 temporary construction jobs), by March 2016 – producing £69m GVA (Gross Value Added) per annum thereafter. In addition, the first phase of York Central will set in motion the potential for two further phases of development. In total the site offers the potential, on completion of the three phases, for an additional c. £247m GVA per annum and a net 4,750 jobs.
15. York Central is therefore clearly a major strategic project for the city and the wider region. However, there are considerable barriers and obstacles to development, largely associated with abnormal infrastructure costs. Key issues involve the reclamation and re-assembly of land that is partly used as an operational rail/freight site, and obtaining site road access. In phase one the ‘stacking’ of an existing car park into a multi storey facility is also a necessity to gain access to the site.
16. **Digital, Media and Creative Centre (DMCC)** –The DMCC will provide a new home for growing creative, digital and technology companies within York. Its creation has been a long-time ambition for the City of York. York is already a creative and digital hub for Yorkshire with inspiring architecture and a heritage that inspires creative talent.
17. Creative and digital companies in the City would greatly benefit from a central nucleus within this inspiring environment to grow their businesses and community. The intention is for the DMCC to provide around 20,000 sq. ft. of managed office accommodation for small to medium sized enterprises (SMEs) within the creative, digital and technology sectors, and to encourage and support the growth and development of these sectors within York.
18. In particular the DMCC aims to increase the capacity of the city to provide flexible space and to increase opportunities for retaining and networking talent and enterprise across the city. The centre could provide high quality office space with offices ranging from around 58 sq. ft. suitable for sole traders, up to circa 1500 sq. ft. which will house companies of around 9-12 employees each.

19. The Task Group learnt that an outline feasibility study had been undertaken by Science City York investigating several possible sites and the challenges associated with each.
20. The Task Group considered some more specific information on the York Central site and a proposal for the DMCC to be sited on a specific site. However, that information was classed as exempt under paragraph 3 of Schedule 12A to Section 100A of the Local Government Act 1972 (as revised by The Local Government (Access to Information) (Variation) Order 2006) and is therefore not included within this report.
21. **Funding the Above Priorities** – In regard to York Central Phase 1, the Task Group learnt that the timescales for the development of York Central are largely dependent on accessing a number of funding streams. Also that an outline bid for £9 million had been submitted to the Government's Regional Growth Fund to support site infrastructure and public realm works. The Fund is the Government's main financial instrument for investing in private sector and public/private projects, to stimulate growth and create additional employment.
22. An expression of interest for £6 million had also been submitted to the York, North Yorkshire and East Riding Local Economic Partnership (YNYER LEP).
23. The Task Group noted that both the funding submissions made detailed the challenges around the York Central site, and that both were 'Stage 1' applications. If approval was received in principle, a far more detailed due diligence process would be undertaken, where the Government and YNYER LEP would ask detailed questions of the authority around job creation figures, timescales, spend profiles etc.
24. The Task Group were informed that the York, North Yorkshire and East Riding Local Economic Partnership (YNYER LEP) had fewer access opportunities to resources than the Leeds City Region Local Economic Partnership (LCR LEP), but funding could be accessed via that partnership, in particular through the Growing Places Fund.
25. In regard to the DMCC, the Task Group learnt that an outline expression of interest for £2 million Growing Places funding had been submitted to the Leeds City Region Local Economic Partnership (LCR LEP). They recognised that funding channelled through the LCR LEP was critical to the future economic growth of York (see further details in Annex C).

26. Finally, in addition to the information above and the exempt papers, the Task Group learned that as well as approaching both LEPs, it was possible to approach the Government directly for funding. They were informed that the Council had already approached the Government for funding for site enabling, access and infrastructure unlocking. What was requested from the Leeds City Region LEP in terms of European funding would therefore be dependent on how much of the funding requested from the Government ultimately became available.
27. In late March 2013, the Task Group considered detailed information on the above mentioned funding streams – see Annex C.
28. **Objective (ii) - To assess what resources are available to City of York Council (CYC) to effectively identify and successfully secure funding**

The Task Group learnt of a Regional Econometric Model (REM) which enables the Council to easily calculate the Gross Value Added (GVA) to the city, by a wide range of proposed projects. The Task Group it would also enable them to gather evidence about the economic viability of a vast range of projects and initiatives.
29. The baseline data that is provided within the REM is forecast up to 2016. At the same time historic trend data is also available for the same data (some dating back 18 years). Some of the main datasets available through the model are Employment (Full Time Equivalent, Full Time, Part Time and Total Employment), GVA (£million), Population (000s), Qualifications and Occupations. These datasets can be cross referenced so it is possible to get a forecast of qualifications by occupation type for the region.
30. The REM is the key evidence gathering, economic modelling tool used across the Yorkshire and Humber region and nationally. It allows subscribers to run a huge variety of ‘scenarios of productivity’. In other words it will predict the amount of value generated by a development site were housing to be built on it or whether it be used for different industrial purposes – and in turn will tell us the best outcome for York and the wider region across a range of key sites in the City.
31. The REM licence costs £4000 + VAT per annum. The model is updated every 6 months and includes training and on-going support for the duration of the subscription

32. The Task Group discussed the benefits of the REM for both this scrutiny review and the Council as a whole. They noted that CYC had commissioned work externally from other authorities who had subscribed to the REM; however this cost the Council £700 a time so the cost was prohibitive. To continue commissioning externally was therefore not felt to be a viable or sustainable option.
33. The Task Group learnt that the Leeds City Region LEP also commissioned externally to gain access to the REM. The YNYER LEP did have access but CYC were only able to use this on an ad hoc basis. They noted that if CYC were to hold a licence (or licences) for the REM itself, then it could quite quickly make savings by not having to commission an external service. The Task Group queried whether the cost of the REM could be funded via a bid to the Economic Infrastructure Fund (EIF) but were informed it was not available for 'tools'.
34. It was reiterated that having constant access to the REM would deliver more effectiveness across the Council in general as well as financial savings. It was noted that the REM had already been used to enable CYC to get the best value for the city and wider regional economy from the Hungate site. There was also a case for using it to identify the different economic sectors that would bring the highest value back to the local and regional economy; potentially when looking at uses for the York Central site.
35. Having taking the above into consideration the Task Group then explored how the REM could help support their scrutiny review. They noted it would support the work on objective (ii) of the review, as it would help identify the resources required by CYC to effectively identify and successfully secure external funding. In regard to objective (iii), the Task was advised that it would be very difficult, both time wise and financially to achieve an outcome without accessing REM. The Task Group acknowledged they could commission some external work and spend £700 doing so; however they agreed it would not be cost effective. It would also rely on the Task Group only needing to access the REM on one occasion.
36. Having identified a gap in the resources the Council had for undertaking this type of work, they felt that there was a clear case of return on investment if the REM was purchased.

37. For all the above reasons, the Task Group suggested the Economic and City Development Overview and Scrutiny Committee gave their £1000 allocation from the scrutiny budget towards the cost of purchasing the REM.
38. At their meeting on 26 March 2013, the Economic and City Development Overview and Scrutiny Committee acknowledged it would not be appropriate to use their £1000 budget on a consultant, insomuch as this would buy a very limited amount of time; whereas the REM would allow the Council to undertake the work of a specialist consultant itself, in house. They therefore agreed to allocate their budget to the purchase of the REM.
39. **Objective (iii) - To develop a plan for presenting a strong case to Leeds City Region LEP for funding York's top investment priorities**  
The Task Group believed that a greater impact would be gained by scrutinising officers' efforts to secure LCR investment for one specific flagship initiative and asked which of the two options put forward (a DMCC or the York Central site) would be preferable. In response they were informed:
- **DMCC** - The creation of a DMCC site within the city centre would be an easier option for this Task Group to manage however work was already ongoing with this.
  - **York Central** – This was a more complicated site but needed the most work and development of the two options under discussion.
40. The Task Group acknowledged that whichever 'priority' was chosen, it was about 'pitching' the project and making sure that the barriers and problems faced (or the perceived problems) were understood in order that either of the options could be pitched to interested developers in a positive way.
41. Some Task Group members felt that the DMCC was a project that the public would expect to happen with minimum cost to the Council therefore the attraction of external funding to move this forward would be imperative. The Bonding Warehouse had initially been considered as a potential site for this but the cost of the building had been prohibitive and the rental costs too commercial for the kinds of businesses that would be attracted to such a centre. The Task Group learnt there were three other site options currently been considered but to date specific information on those remained commercially sensitive.



42. The Task Group felt that the York Central site was such a large site that it would probably be unlocked bit by bit. York Central was a longer term project whilst the DMCC was more of a stand alone project.
43. Having considered the above the Task Group initially agreed they would like to concentrate on the DMCC, particularly given the immediacy and the shorter timescales involved. However, it subsequently came to light that the Council had agreed to appoint a Project Manager to oversee the development of a Digital Media and Creative Centre. The appointment was thought to be critical to any future funding decisions affecting the DMCC. Whilst the appointment has been welcomed for the longer term development of the scheme, the Task Group have recognised that in the short term it will create a delay in the submission of funding applications for the DMCC.

## **Consultation**

44. The Task Group used the GeniUS website to gather the public's views on a number of issues. The questions posed and associated responses are shown at Annex E to this report.
45. Finally, the Task Group recently met with a number of key players in relation to both the York Central site and attracting external funding for key investment priorities for the city. Feedback on that meeting will be included in the draft final report arising from this review.

## **Suggested Amendments to Review Remit**

46. In light of the above, it has been recommended that the Task Group consider a shift in the emphasis of their scrutiny review, to concentrate their future efforts on the York Central initiative. It has also been recommended that the scope of the review be widened, to allow for analysis of officers attempts to secure investment in York Central from a variety of funding sources including European funding devolved to the Leeds City Region LEP, alongside a range of other public and private sector funding applications.
47. The suggested change in the scope will also allow members to scrutinise:
  - a) The way in which detailed business cases and broader marketing and communication campaigns have been prepared to promote key development sites.

b) Methods of stakeholder engagement with business and the wider community around major infrastructure sites.

48. With this in mind, the Task Group is proposing the following changes to objectives (i) & (iii) of the review:

- In regard to Objective (i) - *'To assess how Leeds City Region are articulating investment priorities, specifically including looking at the case of the LEP European Regional Development Funding Programme and broader European Funding.'*
- In regard to Objective (iii) - *'To develop a plan for presenting a strong case to ~~Leeds City Region LEP~~ for attract funding for York's top investment priorities'*

## **Options**

49. Having considered the work undertaken by the Task Group to date, Members may choose to either:

- i. Agree to the changes to the review objectives as shown in paragraph 36 above.
- ii. Agree that the review objectives remain as originally set (see paragraph 10 above).
- iii. Identify some alternative amendments to the review objectives.

## **Council Plan**

50. The work on this review supports the 'create jobs and grow the economy' priority within the Council Plan 2011-15.

## **Risk Management & Implications**

51. Any risks and/or implications associated with the recommendations arising from this review will be identified within the Task Group's draft final report, and will be presented for this Committee's consideration at a future meeting.

## Recommendation

52. Having considered the information contained within this report and its annexes, Members are asked to

- a) Note the work on this review to date
- b) Agree the amendments to the review objectives as shown at paragraph 36 of this report.

Reason: To allow the External Funding Scrutiny Task Group to progress their work on this scrutiny review in line with scrutiny procedures and protocols

## Contact Details

### Author:

Melanie Carr  
Scrutiny Officer  
Tel No.01904 552054  
e: melanie.carr@york.gov.uk

### Chief Officer Responsible for the report:

Andrew Docherty  
A.D. Governance & I.C.T.

**Report Approved**  **Date** 3 June 2013

**Specialist Implications Officer(s)** Not Applicable at this stage

**Wards Affected:**

**All**



**For further information please contact the author of the report**

**Background Papers:**

**Annexes:**

**Annex A** – Scrutiny Topic Details (submitted by Cllr Semlyen)

**Annex B** – Information on the ‘Future of European Funding Programmes 2014-2020 Consultation Process’, etc

**Annex C** – Information on Potential Funding Sources for York’s Key Investment Priorities

**Annex D** – Information on top 2/3 CYC Priorities put forward to Leeds City Region (LCR)

**Annex E** – GeniUS Questions & Responses Received