

# Executive Decision Report

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## **ECONOMIC ACTION PLAN PROJECTS**

Decision to be taken by: City Mayor

Decision to be taken on: 26 January 2017

Lead director: Phil Coyne

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**City Mayor**

## **Useful information**

- Ward(s) affected: All
- Report author: Colin Sharpe, Head of Finance
- Author contact details: 0116 454 4081
- Report version number: 17-01-2017

### **1. Summary**

- 1.1 The recently published 'Leicester: Great City Economic Action Plan (2016-2020)' sets out how the Council will support the creation of attractive well-connected places, more business investment and jobs, and further sporting and cultural success.
- 1.2 This report seeks approval to allocate £7.03m to schemes that advance the new plan.

### **2. Recommendations**

- 2.1 It is recommended that:
  - i £7.03m is allocated to specific Economic Action Plan schemes, namely the former Haymarket Theatre, DOCK2, Leicester Market, Greyfriars THI Connecting Leicester street improvements and Legible Leicester, and that the schemes are added to the capital programme.
  - ii Up to £0.3m of loans to the Haymarket Consortium Ltd to support initial operating costs and cash flow be approved.
  - iii A further report is brought on the development of DOCK2 prior to commencement of works, only design fees/feasibility costs being incurred in the meantime.
  - iv The Divisional Director, Planning, Development and Transportation, be authorised to proceed with the Greyfriars THI Connecting Leicester street improvements and Legible Leicester schemes, subject to consultation with the City Mayor.
  - v The Divisional Director, Tourism, Culture and Inward Investment, be authorised to proceed with the redevelopment of the former Haymarket Theatre and the first tranche of the Leicester Outdoor Market improvements, subject to consultation with the City Mayor.

### **3. Supporting information including options considered:**

- 3.1 The recently published 'Leicester: Great City Economic Action Plan (2016-2020)' sets out how the Council will support the creation of attractive well-connected places, more business investment and jobs, and further sporting and cultural success.

3.2 The report seeks approval to the following schemes:

<b>Scheme</b>	<b>EAP contribution</b>
DOCK 2 – new managed workspace	£1.25m
Leicester Market – outdoor improvements, first tranche	£1.40m
Greyfriars Townscape Heritage Initiative - Friar Lane & New Street	£0.83m
Legible Leicester – vehicular direction signage	£0.55m
Redevelopment of the former Haymarket Theatre	£3.00m
<b>Total funds to be committed</b>	<b>£7.03m</b>

3.3 An overview of the schemes in the table to which funds are to be committed is given below:

#### 3.3.1 DOCK2

This will provide ‘grow-on’ managed workspace on a brownfield site at Pioneer Park, between the existing DOCK facility and the National Space Centre. DOCK2 will meet an identified need within the technology business sector for larger commercial space with supporting offices. The site is within the proposed new Loughborough and Leicester Enterprise Zone. The project has been allocated Local Growth Fund monies via the Leicester and Leicestershire Enterprise Partnership, and some prudential borrowing is anticipated based on the projected operating surpluses. The Council is expected to contribute £1.25m of new EAP funding, which it is proposed should be approved in this report.

A separate Executive Decision Report will be brought, setting out the full details and seeking formal approval to the scheme.

#### 3.3.2 Leicester Market Outdoor Improvements, first tranche

The current public realm works at Leicester Market and the surrounding roads are scheduled to be complete by May 2017. The new public square should be largely finished by February 2017 and the final element will be the Hotel Street improvements. Procurement of the permanent ‘screen’ to the rear of the Corn Exchange will commence early in 2017, with an expected start on site in the Autumn. Funding for these is already approved, although the Council may need to ‘cash flow’ some timing differences between spending and the receipt of Local Growth Fund monies from the LLEP, for which it is proposed to bring forward £0.2m of Council funding.

The final phase of the market improvements will be to the outdoor covered market. The first tranche of these could beneficially be progressed alongside completion of the current public realm works and in tandem with the procurement and construction of the Corn Exchange screen. Specifically, it is proposed to:

- Continue the Market Place North improvement works beyond the Odeon Arcade and onto Market Place Approach;
- Create the covered roof area adjacent to the Corn Exchange;

- Redevelop the A Section including cutting back the roof to reveal the Corn Exchange opposite Dolphin Square and constructing a new building for the customer service office, compactor, additional trader storage and new lock-up trading units; and
- Possibly bring forward the new lock up units on the Market Place North edge.

The expected cost of this first tranche of works is £1.2m and it is proposed that funding should be approved in this report, together with the bringing forward of £0.2m to complete the current works, a total of £1.4m.

### 3.3.3 Greyfriars Townscape Heritage Initiative, Connecting Leicester street improvements

Following the successful reconstruction of Marble Street, work will start on Millstone Lane and Wycliffe Street in January 2017. Completion of these schemes is programmed for June 2017 and is part of the Connecting Leicester programme.

To complete the Connecting Leicester work in the Old Town Townscape Heritage Initiative area, Friar Lane and New Street are to be reconstructed, starting in June 2017 and completing in early 2018. High quality porphyry and other block paving will be used, trees planted and yellow lines and street clutter removed to create an environment suited to the historic area.

It is proposed to allocate £0.83m in this report for Friar Lane and New Street, and for the Director to be authorised to proceed with the scheme subject to consultation with the City Mayor.

### 3.3.4 Legible Leicester – Vehicular Direction Signing

New boundary signs were erected in late 2015 and city centre wayfinding comprising monoliths and fingerposts based on a new map of the city centre will be delivered in early 2017. Funding for these is already approved.

The next phase will be the renewal of vehicular direction signing around the central ring road and as necessary on the main radial routes. This work will reassess destinations to be signed and reduce unnecessary clutter, and is programmed for late 2017.

It is proposed to allocate £0.55m in this report for this next phase, and for the Director to be authorised to proceed with the scheme subject to consultation with the City Mayor.

### 3.3.5 Redevelopment of the former Haymarket Theatre

The former Haymarket Theatre is set to be redeveloped by the recently formed Haymarket Consortium Ltd, to which it will be sub-leased. It will become a commercially operated live music and performance venue, offering a range of facilities and services such as theatrical training, professional recording facilities, TV and gaming shows and conferencing, alongside potentially becoming a major e-sports centre.

Significant investment is required to bring the theatre up to the standards required for a modern performance and training venue. The auditorium will be refurbished with new seats and new sound and lighting systems and a café/licensed bar will be installed. The foyer and entrance areas will be modernised, while retaining the original look and feel of the old Haymarket Theatre. The estimated cost is £3.0m, assuming that the existing Haymarket Shopping Centre lift is used for access.

Significant remedial works are in any event required, to meet the Council's responsibilities under the lease with the Haymarket Centre and to enable any alternative future use.

The direct longer term financial benefits / payback to the Council will include the Consortium meeting the costs of the Haymarket Centre service charge and associated expenses, which will save the Council circa £160k p.a. in due course. The Council will expect to receive a rent once the venue has become established and profitable. In addition, the Council should benefit from increased revenues at the Haymarket Centre car park, which it operates.

There will be wider benefits for the city including new jobs, modern music/performance/recording facilities and a significant contribution to the on-going regeneration of the Haymarket/Belgrave Gate area.

The Consortium has also requested that the Council makes available interest-bearing loans of up to £300k, to support cash flow during the first two years whilst it becomes established.

#### **4. Details of Scrutiny**

4.1 The Economic Development, Transport and Tourism Scrutiny Commission has received:

- A presentation on the consultation exercise regarding the Townscape Heritage Initiative Street Improvement Scheme, on 7<sup>th</sup> April 2016
- An invitation to comment on the draft Economic Action Plan 2016-2020, on 1<sup>st</sup> September 2016
- A Legible Leicester update, on 1<sup>st</sup> September 2016
- A Market Place Redevelopment update, on 13<sup>th</sup> October 2016
- An Economic Action Plan Consultation update, on 1<sup>st</sup> December 2016

#### **5. Financial, legal and other implications**

##### 5.1 Financial implications

5.1.1 This report proposes to release £7.03m to fund specific Economic Action Plan projects.

5.1.2 Funding for these schemes will be met as follows:

	£m
Policy Provisions	1.03
Review of Insurance Fund	6.00
<b>Total</b>	<b>7.03</b>

5.1.3 The policy provision is part of the approved capital programme, and (if the recommendations to this report are approved) the remaining balance will stand at £1.3m for further EAP spending.

5.1.4 The insurance fund is a reserve held by the Council to “self-insure” against damage and liability, which saves money compared to insuring all our risks with insurance companies. The Council is required to hold sufficient funds to meet all known and expected liabilities already existing, but which have not yet been settled. Some claims can be submitted many years after the cause of the claim. The fund balance was reviewed by actuaries in 2016, allowing the balance to be reduced from £16.4m to £10.4m. This is consequential to falls in the numbers of claims made against the Council, which reflect both our success in defending claims, and changes made by the Ministry of Justice to “no win, no fee” rules (which have reduced the scope for opportunistic claims).

5.1.5 It is also proposed to make available a loan of up to £0.3m to the Haymarket Consortium, to support its initial operating costs and cash flow. Whilst the Consortium’s business plan gives confidence that the venture will be successful, there is clearly a risk that this will not be the case and that the loan will not be repaid in full or in part. In such a case, a charge would be made to the revenue budget.

Colin Sharpe, Head of Finance, ext. 37 4081.

## 5.2 Legal implications

There are no implications arising directly from the recommendations however it should be noted that, especially in relation to the proposed loan, issues concerning state aid and/or procurement arise. As such detailed legal advice should be sought in relation to the structure of the proposed transactions in order to avoid associated risks.

In relation to the loan specifically, it would need to be on a commercial basis in order to be compliant with state aid requirements.

Emma Horton, Head of Law (Commercial, Property & Planning), ext. 37 1426

5.3 Other Implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

5.3.1 Equalities Implications

The proposed economic action plan projects will result in positive impacts/outcomes for local people and visitors in keeping with the general aims of our Public Sector Equality Duty: the various schemes will promote equality of opportunity, enabling more people to access and engage in activities of interest and employment within this part of the city centre; they will also contribute to the fostering of good relations between different groups of people as more visitors and residents alike will interact within these inclusive social spaces. All protected characteristics will benefit.

Irene Kszyk, Corporate Equalities Lead, ext. 37 4147.

**6. Background information and other papers:**

Leicester: Great City Economic Action Plan (2016-2020)

<http://www.leicester.gov.uk/media/57817/economic-action-plan-2016-2020.pdf>

**7. Summary of appendices:**

None.

**8. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?**

No.

**9. Is this a “key decision”?**

Yes.

**10. If a key decision please explain reason**

Capital expenditure of over £1m is proposed on schemes not specifically authorised by Council