

EXECUTIVE BOARD STRATEGIC REGENERATION COMMITTEE
16th SEPTEMBER 2014

Subject:	Downtown (Sneinton Market) European Regional Development Fund (ERDF) Project		
Corporate Director(s)/ Director(s):	David Bishop, Deputy Chief Executive / Corporate Director for Development and Growth. Stuart Knight, Director of Strategic Asset and Property Management		
Portfolio Holder(s):	Councillor Jon Collins, Leader and Portfolio Holder for Strategic Regeneration and Schools		
Report author and contact details:	Ian Vernalls, Programme Manager, Major Programmes ian.vernalls@nottinghamcity.gov.uk 0115 876 3475		
Key Decision	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Subject to call-in	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Reasons:	<input checked="" type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision	<input type="checkbox"/> Revenue	<input checked="" type="checkbox"/> Capital
Significant impact on communities living or working in two or more wards in the City	<input type="checkbox"/> Yes		<input checked="" type="checkbox"/> No
Total value of the decision: £3,960,960			
Wards affected: St Anns	Date of consultation with Portfolio Holder(s): 4 th August 2014		
Relevant Council Plan Strategic Priority:			
Cutting unemployment by a quarter			<input type="checkbox"/>
Cut crime and anti-social behaviour			<input type="checkbox"/>
Ensure more school leavers get a job, training or further education than any other City			<input type="checkbox"/>
Your neighbourhood as clean as the City Centre			<input type="checkbox"/>
Help keep your energy bills down			<input type="checkbox"/>
Good access to public transport			<input type="checkbox"/>
Nottingham has a good mix of housing			<input type="checkbox"/>
Nottingham is a good place to do business, invest and create jobs			<input checked="" type="checkbox"/>
Nottingham offers a wide range of leisure activities, parks and sporting events			<input type="checkbox"/>
Support early intervention activities			<input type="checkbox"/>
Deliver effective, value for money services to our citizens			<input type="checkbox"/>
Summary of issues (including benefits to citizens/service users):			
<p>This report seeks approval to go to contract to deliver the Downtown project. The project will deliver approximately, 3,356 square metres of upgraded floor space in a number of units which will be used by small to medium size business in the creative industries field as a space to grow and collaborate. It is proposed that the development will lead to the creation of 66 new employment opportunities and continue the regeneration of the Sneinton Market area following previous investments in Sneinton Square and the Victoria Leisure Centre.</p>			
Exempt information:			
None.			
Recommendation(s):			
1 To delegate authority to the Corporate Director for Development and Growth, in consultation with the Leader/Portfolio Holder for Strategic Regeneration and Schools to enter into a contract to deliver the Downtown scheme, subject to the final overall capital cost of the scheme not exceeding £3,890,960.			

2 To accept funding from SCAPE CIF to the value of £70k in order to deliver the recently awarded SCAPE Community Investment Fund bid for a 'Community Space' and to award such contract under SCAPE frameworks to deliver the Community Space.

3 To enter into contracts with professional advisors in order to provide a range of services in relation to the project.

4 To conduct a procurement exercise for the appointment of an Operator for the Downtown scheme and delegate authority to the Corporate Director for Development and Growth in consultation with the Leader/Portfolio Holder for Strategic Regeneration and Schools to enter into a contract for the provision of this service with the successful bidder.

5 To authorise for immediate expenditure £200,000 to enable the contractor and professional advisors to continue working on the technical designs and enabling works and to delegate authority to the Corporate Director for Development and Growth in consultation with the Leader/Portfolio Holder for Strategic Regeneration to enter into agreements for the provision of these services using the SCAPE National Framework.

1 REASONS FOR RECOMMENDATIONS

1.1 In order to meet the grant conditions for the funding awarded to the project its delivery is being run to strict timescales. In order to meet these timescales the contractor has to be instructed by a certain date. The contractor has provided initial costs based on the City Council's scope and they are not envisaged to be over the cap set in Recommendation 1.

1.2 There is an area of approximately 100 square metres, which will be known as the Community Space, which is part of the overall Downtown scheme, but sits outside the boundary of work that is being undertaken through the ERDF grant. A contractor and advisors are required in order to deliver this aspect of the proposals.

1.3 In order for the City Council to successfully deliver the scheme and comply with both grant conditions and relevant legislation the use of a professional advisor is required.

1.4 Under the terms of the grant conditions the City Council is required to procure an operator in order to manage the premises once they become operational. The operator will be responsible for undertaking all estate management responsibilities associated with the development in accordance with a contract with the City Council.

1.5 It is recommended that a sum of £200,000 is approved to enable the contractor and professional team to undertake design and enabling works to maintain the programme. Not allocating this money risks a delay to the project and heightens the potential ERDF grant loss.

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

2.1 In February 2013 the Department for Communities and Local Government (DCLG) issued a call for projects to be funded through the ERDF Challenge Fund. Nottingham City Council successfully applied to this fund with a scheme,

named Downtown, which will refurbish Sneinton Market to provide a number of workshop and studio units for small to medium sized enterprises in the creative sector.

2.2 The aim of the refurbishment project is to support the economic growth agenda in Nottingham by increasing the level of enterprise and number of new jobs in the arts and crafts sector. These objectives support the wider objectives of the Creative Quarter and the Nottingham Growth Plan.

2.3 A total of £2,440,410 of grant funding has been approved by the ERDF in relation to this project and the City Council agreed to fund a further £1,450,551 of capital expenditure at its Executive Board on 19th November 2013. It was reported that the revenue costs would be managed to a break even position through robust and professional management.

2.4 As a result of having accepted this funding the City Council has committed to meeting the following outputs as a condition of the grant:

- Redeveloping / reclaiming 0.36 hectares of brownfield land
- Upgrading 3,356 square metres of floorspace
- Providing 1 new low carbon facility.

2.5 Since notification that the City Council had been successful in being awarded the grant further preparatory work has taken place with the proposed contractors, tenants and stakeholders of the scheme.

2.6 Arrangements have been put in place with the existing tenants of Sneinton Market to decant them into new locations whilst the refurbishment is being carried out. It should be noted that not all of the former occupiers will relocate back to the refurbished Sneinton Market, in particular if their business does not meet the strict ERDF criteria for occupation, e.g. retailers. A further occupier, a nursery provider, will remain operational in Sneinton Market, possibly throughout the period of the refurbishment. This is because it has not been possible to identify an alternative location. Discussions between the provider, the City Council and the contractor are ongoing to ensure that the refurbishment of this part of the scheme and the on-going use of the nursery can be safely accommodated during the refurbishment programme. If an alternative property is identified for the nursery, it may be relocated before that part of the scheme is required for refurbishment.

2.7 Designs have been worked up and the necessary surveys are being undertaken, final costings are expected from the contractor on the 22nd September 2014, with the City Council being required to enter into contracts and raise orders by the 29th September 2014 in order to keep to programme. Failure to keep to programme will have significant financial implications for the City Council as the grant is linked to both a specific spend profile and completion by 31 December 2015. If either of these is missed then grant will not be provided or it will be clawed back. It should also be noted that Council officers are continuing their discussions with DCLG in respect of spend profile and programme. To mitigate against the risk of programme slippage it is recommended that a further £200,000 spend be approved to enable the contractor and professional team to undertake design and enabling works to maintain the programme.

- 2.8 There is an aspiration for the scheme to include some electricity generation through the installation of solar panels. Whilst not part of the current specification the Project Team are working with colleagues in Energy Services who are preparing a business case to bring an element of solar generation into the scheme. This will be pursued through a separate report to the Portfolio Holder for Energy and Sustainability.
- 2.9 In addition to procuring a contractor there is a current requirement for the City Council to procure a management operator for the scheme for a period of 15 years. This is a condition of the ERDF grant with the operator responsible for all property and estate management duties, including, marketing, tenant management, lettings, voids, etc. It is anticipated that this will be on the basis of an initial five year contract, with the ability to grant two subsequent five year extensions. Whilst the requirement for an operator is explicit in the current ERDF grant offer, the new GBER (State Aid Block Exemption regulations) may apply in which case an operator should be optional. Clarification is currently being sought from DCLG in respect of another ERDF project. If the obligation is removed there is an opportunity for the Council including the Creative Quarter Company to have a greater role in the management of the facility. It is recommended that to meet the current requirement and timescale, the procurement of an operator continues, however before a contract is formally awarded, the Council give consideration to an alternative day to day management arrangement if the clarified guidance allows for this.
- 2.10 The redeveloped units will be available to tenants from November / December 2015. A financial model has been prepared and as reported previously there is an initial revenue shortfall between expected income and costs of up to £82,000 per annum. The financial position is expected to improve over the life of the project, and the intention is to manage this to zero through effective operational management.
- 2.11 It should be noted that the refurbished units that are being offered for rent in a shell condition. This strategy has been adopted in order to minimise tenant rental levels, whilst also offering occupiers a blank canvas on which they can put their own creative stamp on the units and imbue the personality of their business onto the units. Appendices 1 to 3 attached show the design of the buildings and mock elevations.

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

- 3.1 To withdraw from the scheme. This would mean that the £2.44m of ERDF grant funding would have to be turned down and repayment of grant received to date (to June 2014) totalling £2k. In addition to this abortive costs of £0.316m would need to be funded by the Council and having already started the decant process the area would be likely to deteriorate as fewer people access it.
- 3.2 To provide additional funding to the scheme in order to produce units to a higher specification. This would require an additional un-budgeted draw down from the capital programme. It would also either increase the revenue shortfall for the Council or increase the rents that are charged for the property possibly pricing out of the market some of the smaller start-up businesses out of being able to access the new scheme.

4 FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY/VAT)

Capital

- 4.1 Executive Board approval to this capital scheme was given on 19 November 2013 in the sum of £3.891m excluding the acquisition of the leasehold interest. This sum is included in the Capital Programme.
- 4.2 A subsequent Delegated Decision (Ref 1461) was approved appointing Wates to undertake the detailed design development and enabling work, the cost of which was £0.316m for the Downtown area. This amount was included in the £3.891m capital approval.
- 4.3 This report now seeks approval to go to contract to deliver the Downtown project, subject to the overall capital cost of the scheme not exceeding £3.891m. In addition the report requests approval to a further £0.200m to enable the contractor and professional team to undertake design and enabling works to maintain the ERDF spend profile requirements. This cost is within the total £3.891m approval.
- 4.4 The report also seeks approval to additional expenditure of £70k for the construction of a 'Community Space' as an extension to this project. This cost would be met from SCAPE CIF funding and has already been secured. If approved, this amount would need to be added to the Capital Programme.

ERDF Grant

- 4.5 The profile of ERDF spend is subject to on-going discussions between City Council Officers and DCLG. It is critical that spend can be achieved within the profile to be agreed with DCLG as any slippage would result in the loss of funding if slippage of expenditure from 2014 to 2015 occurs. DCLG have notified the Council that no slippage will be allowed on any project, otherwise grant funding would be lost. In addition the Council has been advised that if the project is not completed by 31 December 2015 **all** ERDF grant would be lost, not just slippage.

Revenue Implications

- 4.6 Ongoing revenue costs resulting from the scheme of up to £82k per annum are in line with the figures previously reported which if they cannot be managed out, which is the intention, will have to be contained within Development & Growth Department budgets.

5 RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS AND CRIME AND DISORDER ACT IMPLICATIONS)

5.1 There are a number of risks which need to be managed closely. The key risks are highlighted below, with all risks being managed actively through the maintenance of a project register and the intervention of the project team.

5.2 The risks relating specifically to the ERDF funding are that:

- Key ERDF deadlines are not achieved, for example, final expenditure December 2015, or to an incorrect profile. This could result in loss of some or all of the £2.440m ERDF grant which would then have to be financed from City Council capital resources.
- Challenges on procurement
- Challenges on the use of space, for example if nursery provision and café space is found to be ineligible.

5.3 The other key risks to the project are that:

- Tenants can not be decanted in a timely and cost effective manner.
- Tenants unwilling to take space in the new facility
- Rental yields and void periods are worse than those originally forecast.
- An operator for the scheme is not capable of being procured.
- That some outstanding unknowns on the site materialise into increased cost requirements.

5.4 The City Council's Equality and Diversity Policy will be implemented through the scheme by:

- Considering the likely impact of the project on different groups, particularly those who might be disadvantaged, whether due to location or other issues such as race.
- Encouraging maximum awareness of the project, in particular the new business facilities and support available, amongst those facing disadvantage and discrimination. This will be achieved by providing information in plain English and using methods other than written documents to present information.
- Monitoring delivery to ensure actions are compliant with the City Council's aspirations for equality and diversity.

Nottingham City Council and partners recognise that people from underrepresented groups are less likely to access help and support – including business support. Engagement strategies will therefore be developed to ensure all groups are aware of and able to access the facilities and services offered by the project including businesses owned by ethnic minorities, businesses owned and managed by females, older people, younger people and people with disabilities.

5.5 Legal Observations

There are no consequences of legal significance provided decision making procedures and procurement procedures are followed.

Legal have been engaged on this project for some time already and is available to provide continued support.

6 SOCIAL VALUE CONSIDERATIONS

6.1 The creation of the Downtown facility and its use by small to medium sized creative industry companies will support the regeneration of the area. In addition to this it is intended that the units will provide a catalyst for growth within the area, through creating new jobs. It is believed that the location of Downtown, situated as it is between the disadvantaged areas of St Anns and Sneinton and the wider Creative Quarter will provide a key bridge to job opportunities, both in construction and future occupation, between these three areas.

7 REGARD TO THE NHS CONSTITUTION

7.1 Not applicable.

8 EQUALITY IMPACT ASSESSMENT (EIA)

Has the equality impact been assessed?

- (a) not needed (report does not contain proposals for new or changing policies, services or functions, financial decisions or decisions about implementation of policies development outside the Council)
- (b) No
- (c) Yes – Equality Impact Assessment attached

Due regard should be given to the equality implications identified in any attached EIA.

9 LIST OF BACKGROUND PAPERS RELIED UPON IN WRITING THIS REPORT (NOT INCLUDING PUBLISHED DOCUMENTS OR CONFIDENTIAL OR EXEMPT INFORMATION)

9.1 None

10 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT

10.1 Executive Board Report 19th November 2013 – Downtown (Sneinton Market) and Creative Quarter Feeder European Regional Development Fund (ERDF) projects.

11 OTHER COLLEAGUES WHO HAVE PROVIDED INPUT

Jim Driver (Finance Business Partner Development & Growth) – comments incorporated in Section 4

Brian Stewart (Solicitor) – comments incorporated in Para 5.5

Gedling Street Elevation



Proposed New Central Plaza



Typical Avenue

