

**EXECUTIVE BOARD – 21 JANUARY 2014**

<b>Subject:</b>	<b>Nottingham Creative Quarter ERDF project</b>		
<b>Corporate Director(s)/ Director(s):</b>	David Bishop, Corporate Director for Development Chris Henning, Director of Economic Development		
<b>Portfolio Holder(s):</b>	Councillor Graham Chapman, Deputy Leader/Portfolio Holder for Economic Development, Resources and Neighbourhood Regeneration Councillor Jane Urquhart, Portfolio Holder for Planning and Transportation		
<b>Report author and contact details:</b>	Jem Woolley, European Officer, Economic Development <a href="mailto:Jem.woolley@nottinghamcity.gov.uk">Jem.woolley@nottinghamcity.gov.uk</a> 0115 8764491		
<b>Key Decision</b>	<input checked="" type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b>		
<b>Reasons:</b> Expenditure <input checked="" type="checkbox"/> Income <input type="checkbox"/> Savings <input type="checkbox"/> of £1,000,000 or more taking account of the overall impact of the decision	Revenue <input checked="" type="checkbox"/> Capital <input checked="" type="checkbox"/>		
Significant in terms of its effects on communities living or working in an area consisting of two or more wards in the City	<input checked="" type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b>		
<b>Subject to call-in</b> <input checked="" type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b>	<b>Total value of the decision:</b> £5.848 million		
<b>Relevant Council Plan Strategic Priority:</b>	<b>Wards affected:</b>		
World Class Nottingham <input type="checkbox"/>	Bridge, Dales, St Anns, Radford and Park  <b>Date of consultation with Portfolio Holder(s):</b> 9 and 13 January 2014		
Work in Nottingham <input checked="" type="checkbox"/>			
Safer Nottingham <input type="checkbox"/>			
Neighbourhood Nottingham <input type="checkbox"/>			
Family Nottingham <input type="checkbox"/>			
Healthy Nottingham <input type="checkbox"/>			
Leading Nottingham <input type="checkbox"/>			
<b>Summary of issues (including benefits to citizens/service users):</b>			
The Nottingham Creative Quarter project has been approved by The Department for Communities and Local Government (DCLG) for a grant of £2.848 million from the European Regional Development Fund (ERDF) to support works up to £5.848 million in and around the Creative Quarter, including highway and public realm improvements, marketing and events and digital business support for companies in the Creative Quarter.			
This report requests a decision on the provision of match funding of £3.000 million by the City Council, to come from the City Deal arrangements with the Government agreed in 2012, to be recouped by an uplift in business rates income in the Creative Quarter. It also requests the necessary approvals to sign contracts with the DCLG, who manage the ERDF funding, to allow expenditure on the project to go ahead.			
<b>Recommendation(s):</b>			
1. To formally approve the allocation of City Council match funding for the project of £3.000 million to be resourced through the New Development Deal for Connecting the Creative Quarter, agreed as part of the City Deal with Government.			
2. To delegate authority to the Corporate Director for Development to sign contracts with DCLG to go ahead with the Nottingham Creative Quarter ERDF project and accept a grant of £2.848 million.			
3. To amend the Capital Programme, as detailed in paragraph 4.1.			

**1 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)**

1.1 The Creative Quarter is a strategic investment package developed by Nottingham City Council. It seeks to regenerate key inner city sites to provide all the facilities and services to support the creation and growth of creative sector businesses,

particularly in the life science, digital and clean technology sectors. Nottingham already has acclaimed young companies and a significant number of new start firms in these sectors and they represent a significant growth opportunity for the City economy and one that can create quality jobs for residents of local communities.

1.2 The Creative Quarter delivers an interlocking range of measures to secure these regeneration aims. In this ERDF application the project components are:

- § physical enhancements to the public realm
- § marketing, events and promotion
- § digital voucher scheme

### 1.3 **Physical Enhancements to the Public Realm**

To realise the full potential of the Creative Quarter the City Deal with Government identified a range of infrastructure development required to support high quality development activity. This includes a programme of transport infrastructure and public realm improvements to fully connect the Creative Quarter, part financed by Tax Increment Financing (TIF).

In total £8 million of transport/public realm improvements were included as part of a £125 million investment programme. The £8million transport package is made of £5 million for Phase 2 of the Connecting Eastside project and £3 million for public realm upgrading. The investment through TIF should be recouped through the City Council keeping 100% of the uplift in business rates in the Creative Quarter. Projects outside the Creative Quarter (but providing access to it) are paid for from ERDF grant.

The Nottingham commitment in the City Deal includes seeking to secure match funding from a range of sources including Local Transport Plan, future ERDF bids, Growing Places Fund and developer contributions.

The case for the investment is to reduce the negative impact of through traffic on the area whilst at the same time improving the connectivity by making the area more permeable particularly for pedestrians and for buses. Improving the quality of the area will encourage more inward investment as well as supporting the redevelopment of the Nottingham Eastside Island and Broad Marsh East regeneration sites.

A programme of nine schemes has been identified comprising:

- George Street footway upgrading
- Broad Street environmental improvements
- Pilcher Gate/St Mary's Gate environmental improvements
- Stoney Street/Warser Gate junction plateau
- Heathcoat Street footway upgrading
- Trinity Square public realm
- Bath Street/Southwell Road junction pedestrian facilities
- Manvers Street/Pennyfoot Street junction pedestrian facilities
- Connecting Eastside Phase 2

Broad allocations for the schemes were set out in the 2013/14 transport programme that was considered by Executive Board in February 2013 as part of the annual budget process.

### 1.4 **Marketing, Events and Promotion**

The Nottingham Creative Quarter project will provide the Council and partners with a major new opportunity to create positive publicity about the City, its role

as an entrepreneurial hotspot and a business led growth engine for the region, delivered through the City Council led Creative Quarter Co. Integral to the Quarter are annual high profile events to highlight and promote the Quarter as an area that will support Small and Medium-sized Enterprises (SMEs) in emerging sectors, and in so doing attract businesses, young entrepreneurs and graduates to stay in or relocate to Nottingham. These events will create a dynamic environment where business can flourish and be complemented by an arts, lifestyle and social scene with strong artistic and intellectual credibility. Nottingham's Creative Quarter provides the city with a unique opportunity to develop both business sector and arts industries hand in hand.

The publicity programme will be delivered by procured specialist publicity events and marketing consultants who will be charged with implementing a two pronged approach. Firstly this will involve securing national and even international profile for the Quarter, and secondly to market the opportunities and benefits to residents of the most disadvantaged areas of the City.

### **1.5 Digital Voucher Scheme**

The fourth element of the project is a Digital Voucher Scheme for SMEs within the three targeted sectors of Life Sciences, Creative and Clean Technologies. The scheme will support 40 businesses to define their connectivity needs, provide digital vouchers which can be used to purchase improved connectivity from approved broadband providers and provide grants to help businesses to maximise the opportunities offered through this improved connectivity.

The aim of the scheme is to underpin SME growth in the Creative Quarter by ensuring businesses have access to the quality of connectivity that they need to support business growth. Currently the Creative Quarter has the poorest connectivity in the city, however SMEs can procure business leased lines which are expensive, and may soon be able to access other high quality products if existing infrastructure in the area is upgraded which should be achieved under the Nottinghamshire Broadband Plan. The Digital Voucher Scheme will help businesses to utilise these options as a means of transforming connectivity.

## **2 REASONS FOR RECOMMENDATIONS**

- 2.1 The acceptance of the ERDF grant would allow the project to be substantially enhanced, bringing in a further £2.848 million of funding.
- 2.2 The two revenue schemes (Marketing Events and Promotion; and Digital Voucher Scheme) would not be able to go ahead at all without the acceptance of the grant as they are 100% ERDF funded.

## **3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS**

- 3.1 Not accepting the grant was rejected as it would mean a substantial shortfall for the project which would allow only some of the highways and public realm work to go ahead (with just the City Deal funding) and none of the marketing and digital business support elements of the project.

## **4 FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY/VAT)**

- 4.1 The estimated cost of the project is £5.848 million which is covered by the ERDF grant of £2.848 million with the balance of £3.000 million being matched by the

City Council from the £8.000 million Tax Increment Finance (TIF) scheme for Connecting the Creative Quarter approved as part of the City Deal which was reported to Executive Board in February 2013. This is to be recouped through an uplift in business rates income in the Creative Quarter.

The City Deal introduced a mechanism to enable prudential borrowing to be undertaken to finance £8.000 million of spend to unlock the Creative Quarter, with repayments being financed from the resulting uplift in business rates. Under the City Deal arrangements the City Council retains 100% of the business rates uplift in the Creative Quarter for 25 years from April 2013 onwards. An average uplift of £0.199 million per annum in business rates will be required to support repayments on borrowing of £3.000 million. There is a risk that if this level of uplift is not achieved, the additional borrowing costs will fall on the General Fund. Works as part of this package which fall outside the Creative Quarter (but may provide enhanced access to it) are paid for by ERDF grant.

The scheme includes both capital and revenue financing as summarised in **Table 1**:

<b>TABLE 1: SPLIT OF CAPITAL AND REVENUE FINANCE</b>				
	2013/14	2014/15	2015/16	Total
	£m	£m	£m	£m
Capital	0.771	2.711	1.068	4.550
Revenue	0.115	0.702	0.481	1.298

The capital expenditure will be financed £1.550m from ERDF grant and £3.000m from the Connecting the Creative Quarter scheme funded by prudential borrowing.

The revenue expenditure of £1.298m will be financed from ERDF grant.

The capital element of the scheme needs to be included in the capital programme.

4.2 The total cost and financing of the scheme is summarised in **Table 2**:

<b>TABLE 2: SUMMARY OF PROJECT FINANCE</b>			
<b>Work programme</b>	<b>ERDF £m</b>	<b>City Deal £m</b>	<b>Total £m</b>
Highways and public realm improvements	1.550	3.000	4.550
Creative Quarter marketing and events	0.500	-	0.500
Digital Innovation support for businesses	0.798	-	0.798
<b>Totals</b>	<b>2.848</b>	<b>3.000</b>	<b>5.848</b>

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

There are a number of key risks which will be managed closely and which are usually associated with ERDF projects.

### 5.1 ERDF risks:

- key ERDF deadlines not achieved - final expenditure needs to be by December 2015;
- challenges on Procurement – needs managing closely;

- clawback of ERDF funding may occur if ERDF regulations on spending and procurement are not followed;

5.2 The City Council's Equality and Diversity Policy will be implemented through the projects 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;
- monitoring delivery to ensure actions are compliant with the City Council's aspirations for equality and diversity.

5.3 Legal Observations:

- Legal Services will assist in the review of the grant funding agreement to ensure risks to the Council are identified. It is understood the grant funding agreement will be on DCLG standard terms so the opportunity to negotiate any changes may be limited;
- the grant funding agreement will include clawback provisions and, in consequence, it will be necessary for the Council to actively manage the projects to be delivered with the assistance of the grant funding to mitigate against the risks of having to repay the grant;
- contracts awarded to deliver the project will need to be awarded in compliance with EU and UK procurement legislation.

## **6 SOCIAL VALUE CONSIDERATIONS**

6.1 The project will provide jobs and support the economic development of the Creative Quarter.

## **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) | <input type="checkbox"/>            |
| (b) No – but equal opportunities implications are included in all ERDF applications.  | <input checked="" type="checkbox"/> |
| (c) Yes – Equality Impact Assessment attached   | <input type="checkbox"/>            |

## **9 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION**

9.1 None.

## **10 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

10.1 None.

## 11 OTHER COLLEAGUES WHO HAVE PROVIDED INPUT

Andrew James, Team Leader, Contracts and Commercial

T: 0115 876 4431

E: [andrew.james@nottinghamcity.gov.uk](mailto:andrew.james@nottinghamcity.gov.uk)

Jim Driver, Finance Service Partner

T: 0115 8764226

E: [jim.driver@nottinghamcity.gov.uk](mailto:jim.driver@nottinghamcity.gov.uk)

Chris Carter, Transport Strategy Manager

T: 0115 8763940

E: [chris.carter@nottinghamcity.gov.uk](mailto:chris.carter@nottinghamcity.gov.uk)

John Connelly, Digital Infrastructure Manager

T: 0115 8764490

E: [john.connelly@nottinghamcity.gov.uk](mailto:john.connelly@nottinghamcity.gov.uk)

Kathy McArdle, Chief Operations Manager, Creative Quarter Company

T: 0115 8599816

E: [kathy@creativequarter.com](mailto:kathy@creativequarter.com)