

EXECUTIVE BOARD – 18 DECEMBER 2018

Subject:	Broadmarsh Shopping Centre
Corporate Director(s)/Director(s):	David Bishop, Deputy Chief Executive/Strategic Director of Development Chris Deas, Director of Major Projects
Portfolio Holder(s):	Councillor Jon Collins, Leader of the Council, Portfolio Holder for Regeneration and Growth
Report author and contact details:	David Bishop, Deputy Chief Executive/Strategic Director of Development
Subject to call-in:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Key Decision:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Criteria for Key Decision:	
(a)	<input checked="" type="checkbox"/> Expenditure <input checked="" type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision
and/or	
(b)	Significant impact on communities living or working in two or more wards in the City <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Type of expenditure:	<input checked="" type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital
Total value of the decision:	Contained within the exempt appendix
Wards affected:	All
Date of consultation with Portfolio Holder(s):	13 th November 2018/6 th December 2018/13 th December 2018
Relevant Council Plan Key Theme:	
Strategic Regeneration and Development	<input checked="" type="checkbox"/>
Schools	<input type="checkbox"/>
Planning and Housing	<input checked="" type="checkbox"/>
Community Services	<input type="checkbox"/>
Energy, Sustainability and Customer	<input type="checkbox"/>
Jobs, Growth and Transport	<input checked="" type="checkbox"/>
Adults, Health and Community Sector	<input type="checkbox"/>
Children, Early Intervention and Early Years	<input type="checkbox"/>
Leisure and Culture	<input checked="" type="checkbox"/>
Resources and Neighbourhood Regeneration	<input type="checkbox"/>
Summary of issues (including benefits to citizens/service users):	
<p>This report seeks final Council approval to the long awaited Broadmarsh Shopping Centre scheme, which will enable its partner intu to let the contract and start construction, unlocking huge economic benefits for the City of Nottingham in due course.</p> <p>This report follows on from the approval of a report to Executive Board in November 2013, entitled “Broadmarsh and other City Centre Shopping Centre Plans”, which amongst other things agreed to the entering into a partnership with intu to redevelop the intu Broadmarsh shopping centre via a Conditional Development Agreement subject to a further decision just before that agreement could go unconditional.</p>	
Exempt information: State ‘None’ or complete the following	
<p>Appendices to this report are exempt from publication under paragraphs 3 and 5 of Schedule 12A to the Local Government Act 1972 because they contain information relating to the financial business affairs of the Council and one contains information in respect of which a claim to legal professional privilege could be maintained in legal proceedings and having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. It is not in the public interest to disclose this information because disclosure of the information at this stage could jeopardise the Councils financial and legal position.</p>	

Recommendations: It is recommended that Executive Board:

- 1 To approve the Broadmarsh Shopping Centre scheme under the terms of the Conditional Development Agreement with intu.
- 2 Agree the Financing approach outlined in Appendix B, and include and update the Capital Program accordingly.
- 3 Delegate authority to the Chief Executive and the Deputy Chief Executive/Strategic Director of Development, in consultation with the Portfolio Holder for Regeneration and Growth to agree any amendments to the Broadmarsh Shopping Centre project, subject to being contained within the financial envelope in Appendix B.

1 REASONS FOR RECOMMENDATIONS

- 1.1 The Broadmarsh Shopping Centre scheme (BMSC) has been developed to this stage in partnership with intu after a Conditional Development Agreement (CDA) to undertake the project was agreed in late 2013. A considerable amount of resources have been expended by both parties since to get to this point, which is that we have a fully developed scheme, a contractor carefully procured via a comprehensive tender process who is ready to commence, finance arrangements in place, and all conditions precedent in the CDA now met, barring the last condition. The last condition precedent is the approval of both Boards to the Development proceeding under the terms of the CDA. Intu have secured the agreement of their Board (see Appendix A) to progress, and this report seeks the approval of the Council to do the same.

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

- 2.1 The Council is now in a position to progress the Broadmarsh Shopping Centre scheme with its partners intu, after a lengthy period developing the scheme, and addressing substantive issues along the way (e.g. the change from a refurbished car park to a new one). The world has changed significantly in this time, with high street retail facing huge changes in response to different drivers, but principally the inexorable rise of online shopping. The project has been changed accordingly, with much less emphasis on typical high street retail, but a stronger component of leisure destination (e.g. Cinema, Bowling, Food and Beverage), see appendices E and F.
- 2.2 More widely in Nottingham, the Shopping Centre scheme remains the centre piece of a wider transformation of the southern city centre. A number of neighbouring projects have come forward in the context of the BMSC project emerging at their heart, and the collective regeneration momentum is palpable. The Castle, the Skills Hub, the new Car Park including Bus Station and Library, (to say nothing of other private development schemes) are all progressing, and the combined economic uplift opportunity of this reinvigorated “destination” is ready to be realised. The opposite is also true in that this momentum could be significantly dashed, if the BMSC were not to proceed.

Merits

- 2.3 The merits of progressing the scheme remain much as they did at the outset and are detailed in the Business Case attached (see Appendix I) and in Appendix J.. In essence they include:
- income uplift
 - more valuable asset
 - major private investment
 - transformation of southern city centre confirmed
 - Bridlesmith Gate/Clumber Street strength enhanced
 - decline in City Centre economy halted
 - economic growth benefits secured (3,000 jobs, 200,000 visitors per year, £10 billion GVA)
 - Core city reputation as a “happening place” enhanced.
 - Core City Retail ranking restored
 - Complementary tourist destination opportunity with the Castle Project

Other Matters:

- 2.4 Notwithstanding these, the Council has to tread carefully before committing nearly £50million to any Strategic Regeneration Project given its present financial pressures, particularly a scheme based to a substantial degree on retail, given that sectors difficulty. It has given due consideration to alternative options, other than progressing this scheme as can be seen in Section 3 below. It has taken reassurance however from the following:

- The final scheme has more reduced and realistic expectations of rental from retail, and has diversified significantly into Leisure, and still the rental income uplift is very significant and able to cover the cost of borrowing.
- Intu have full confidence in the scheme and are prioritising this investment ahead of others across the Country.
- Leading Property Consultants have fully endorsed the Nottingham market potential and this scheme (see Appendix G).

- 2.5 The Council proposals for financing its one third contribution to this scheme are detailed in Appendix B. Essentially the Council is borrowing to invest, against enhanced rental income, and contributing resources from capital receipts and other sources.

Given the combined attraction of this newly invigorated southern city centre, the extra visitors and turnover may well lead to rental projections being exceeded in future years, but given the changing face of retail the risk of reductions over the years is very real. Financial modelling has therefore been cautious with significant allowance for voids, and the potential to flex the financial modelling dynamics still available, should there ever be a negative impact on the Council’s ability to repay the borrowing required.

- 2.6 Going forwards, a proactive and ongoing Risk Management approach will be essential to ensure the BMSC project is not negatively impacted, and the latest version of the live project Risk Register is attached to the Business Case in Appendix I accordingly.

- 2.7 A number of legal, and property risks have been highlighted in previous reports as needing attention at this decision making stage and these are fully addressed in Appendices C and D.
- 2.8 This project will sit at the centre of a transformed roadscape and public realm area, the proposals for which are being developed. Funding of those proposals are separate, as resources allow, and are not formally linked to this decision.
- 2.9 The Chair of the Overview and Scrutiny Committee was consulted on 23rd November 2018. The Chair agreed to exempt this decision from the call-in procedure due to the risk of increased contract costs that would be incurred if the contract is not let as soon as possible after Executive Board take this decision.

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

- 3.1 As outlined above, the Council has considered its alternative options to proceeding with this scheme, and the detailed consideration of these options is set out in the Business Case attached. See appendix I.
- 3.2 Essentially they can be summarised as follows:
1. Do nothing – to not progress the CDA to unconditionality and rely on intu to progress improvement work to the Shopping Centre.
 2. Alternative Development Scheme – not go unconditional on the CDA, but seek to persuade intu to pursue a different scheme.
 3. Renegotiate CDA – not to go unconditional on the CDA but seek to persuade intu to agree different terms.
- 3.3 These options have been rejected, as they would seriously risk the significant strategic regeneration benefits that the Council can achieve through this scheme, yet with only a very small chance of an improved outcome, and potentially attract very significant reputational damage for the City Council, and the City of Nottingham.

4 FINANCE MATTERS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)

- 4.1 See exempt appendix B

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

- 5.1 See exempt appendix C

6 STRATEGIC ASSETS & PROPERTY MATTERS (FOR DECISIONS RELATING TO ALL PROPERTY ASSETS AND ASSOCIATED INFRASTRUCTURE)

- 6.1 See exempt appendix D

7 SOCIAL VALUE CONSIDERATIONS

7.1 The economic benefit of this scheme will bring considerable social value to the city.

8 REGARD TO THE NHS CONSTITUTION

8.1 N/A

9 EQUALITY IMPACT ASSESSMENT (EIA)

9.1 Has the equality impact of the proposals in this report been assessed?

No

An EIA is not required because:
(Please explain why an EIA is not necessary)

Yes

Attached as Appendix H, and due regard will be given to any implications identified in it.

10 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT

November 2013 Executive Board – Broadmarsh and other City Centre Shopping Centre Plans

11 LIST OF APPENDICES

- A - Confidential intu document
- B - Confidential Finance matters
- C - Confidential Legal matters
- D - Confidential Property matters
- E - Scheme Plans (intu)
- F - Scheme Visuals (intu)
- G - Confidential Scheme Projections and advice from external property advisors (intu)
- H - Equalities Impact Assessment
- I - Confidential BMSC Business Case – (including Risk Register)
- J - Confidential - History