

## **Local Government and Communities Committee**

### **City Region Deals**

#### **Submission from Nottingham City Council**

##### **Nottingham City Deal**

###### ***How is the Governance of your local City Deal structured?***

Nottingham's City Deal was based on our local authority area, and predominantly focused on the emerging Creative Quarter district of the city centre.

This unique aspect of our City Deal was reflected in the governance structure. The Nottingham Growth Board – chaired by Sir John Peace, and comprised of local business and public sector leaders – was formally responsible for the governance of the City Deal.

The Growth Board was the driving force behind the Nottingham Growth Plan, launched in July 2012 alongside the announcement of the City Deal, which set out a long-term (5-10 year) programme to develop, rebalance and grow the local economy, focusing on three sectors where the city has a competitive advantage – lifesciences, digital content & cleantech. The City Deal provided an initial impetus to much of the Growth Plan activity and whilst the City Deal has now largely run its course, the Growth Plan is currently being refreshed to ensure that our embedded approach to the city's economic development strategy remains relevant within a changed and changing landscape.

###### ***How are City Deal projects prioritised and managed, and who is held accountable for the outcome of projects?***

The City Deal projects were initially prioritised by the Growth Board and agreed in negotiation with central government. Projects were delivered through a range of partners – including the newly established Creative Quarter Company, Foresight Group (equity investment fund managers), BioCity (bioscience incubation centre) and the University of Nottingham, as well as the City Council. Overall the programme was managed by the City Council's Growth Plan Programme Manager, who reported directly to the Growth Board.

###### ***How are City Deal projects evaluated?***

Each project was evaluated towards the end of the programme, and progress reported to the Department of Business, Innovation and Skills. The end of programme evaluation summary report is attached as Appendix A. (Individual project evaluation reports can be provided upon request.)

### ***How are local residents and business involved in and kept informed of City Deal projects and activities?***

Local businesses were integral to the development and delivery of both the City Deal and the Growth Plan. They were extensively consulted in the development of the original plans, and key local businesses (including Boots and Experian) were represented on the Growth Board. Extensive networking and communications with the local business community were undertaken to raise awareness of the opportunities available to businesses through the City Deal, including Growth 100 programme (for businesses with high growth potential), the £40m Foresight Nottingham Fund (equity investment), and the £10m N'tech Grant Fund.

Entrepreneurial students from local universities and FE colleges were engaged and supported through the Gen Y business start-up programme; and local residents were engaged and offered opportunities through the Employer Hub job matching service and an Apprenticeship Hub.

Progress was publicised both through the Growing Nottingham website and through regular press and media reports. In addition, the Growth Board published an annual report which detailed progress.

### ***How does City Deal funding interact with Growth Deal and Devolution Deal funding?***

A total of approximately £60m was invested by central government into the City Deal, matched by local funding commitment. Funding and powers secured through the City Deal were to provide the City with the tools and levers to deliver the Nottingham Growth Plan. The various funding lines came from existing Government funding streams at the time. (For example, BIS – through CfEL – invested £25m in the Foresight Investment Fund, matched by £10m from the Nottinghamshire Pension Fund and private investments of up to £1m by local individuals of high net worth; the Regional Growth Fund contributed £10m to the N'Tech Grant Fund; and £8m of Creative Quarter transport schemes were funded through the TIF mechanism.)

Access to finance was identified as a barrier to business growth in the City, and so the Foresight Nottingham Fund, N'Tech Grant Fund and Creative Quarter Loans Fund were developed to offer equity, grant and loan funding respectively. Whilst N'Tech has now closed, Foresight has a further five years to run and the CQ Loan Fund has recently been extended, with a further £300k investment from the City Council.

Skills funding was used to tackle low take up of apprenticeships and to address low skills with the City's most vulnerable and furthest from the job market. Transport funding was used to develop access and public realm to Nottingham's flagship project the Creative Quarter.

The City Deal funding doesn't interact directly with Growth Deal funding (and no devolution deal has been agreed locally). Access to Finance remains an issue for businesses and the Midlands Engine Investment Fund is now an opportunity for many businesses to seek investment. City Centre development has secure LGF

funding, building on the initial City Deal achievements. (LGF projects include a new FE College hub, an extension to BioCity and the redevelopment of the Broadmarsh area.)

***Could projects delivered through City Deal funding been delivered through other means?***

Unless the Government had made the funds available through other means the City Deal developments would have been unlikely or, at best, slow in their development. The City Council matched the investment funds as part of the City Deal agreement, but Council funding alone would have had a much reduced impact.

***Have City Deals (as opposed to Growth Deals and Devolution Deals) helped to encourage a shift towards local decision-making on major infrastructure projects in your region?***

Nottingham is one of four principal authorities in the D2N2 LEP area and while the City Council provides strong leadership within the local LEP, the wider geography and political arrangements (19 local authorities, a mixture of unitary and two-tiered local government across urban, county and district authorities) presents a separate series of challenges to the streamlined Nottingham City Deal governance and decision-making processes. The D2N2 LEP and Joint Committee work in partnership on strategic priorities, but this is not a result of the City Deal.

***Anything else you would like to share about City Deals, Growth Deals and Devolution Deals.***

The first wave of City Deal can be seen as the beginning of this Government's journey towards devolution deals. It is unfortunate that devolution process was not tested before the policy was launched, hence the impression that it was 'being made up as it went along'. The first wave of City Deal negotiations were approached on an individual basis, with the Core Cities competing with each other through a series of secret negotiations. A collaborative approach, with Core Cities negotiating on block, would have been more equitable and would arguably have delivered more consistent – and strongly beneficial – outcomes.

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## APPENDIX A – Nottingham City Deal evaluation report (Dec 2015, revised Oct 2016)

### Nottingham City Deal

This report outlines the progress in delivering the Nottingham City Deal so far. Whilst the initial City Deal funding that supported these programmes has (with the exception of the Foresight Nottingham Investment Fund) now expired, key elements of the City Deal package (such as the Creative Quarter and the Apprenticeship Hub) have become an integral part of the city's enterprise ecology.

### Creative Quarter

*"I want to congratulate the Creative Quarter for promoting enterprise in my local city of Nottingham and winning this prestigious European award. It is a great example of local businesses and a city council working together."*

- Anna Soubry, Minister for Small Business (Nov 2015)

The Creative Quarter (CQ) was announced in July 2012 as the flagship project of Nottingham's City Deal. The CQ Company was set up in December 2012 and commenced full operations in May 2013 with the appointment of a CEO. Through an extensive period of business engagement it has become an established presence in the area. Key headline achievements to date include:

- 850 business supported and signposted to appropriate business support and access to finance
- 83 apprenticeships created in the CQ; 251 in the Growth Plan priority sectors (life sciences, digital content, cleantech)
- 650 jobs created
- Retail vacancy reduced by almost 50%
- An overall increase in the rateable value of the total property in the area of 16% from October 2012
- An overall increase of the gross business rates due in the area of 26% from October 2012
- Visitor expenditure of £3.72m through additional events in the CQ area
- Refurbishment of Sneinton Market & Dakeyne Street buildings as creative and digital business hubs
- Development of Cobden Chambers as a retail incubator and ideas hub
- Arrival of Rough Trade into Nottingham
- Development of the National Video Game Arcade as a new visitor attraction and sector hub for gaming in the CQ
- Development of the new biosciences expansion building on London Road (to be completed 2016) and the new FE College / Skills Hub (to be completed 2019)
- Major public realm improvements to improve access and public spaces, making the area more attractive to visitors and business investors

- 150% increase in planning applications in the CQ area, evidencing a new confidence in developers and investors in the regeneration of the area
- Real Creative Futures programme has supported over 150 creative businesses to grow and develop their products and services
- Upgrade of broadband connectivity across the CQ, and the £750k CQ Connect programme has enabled 40 businesses to enhance their businesses technologically in order to benefit from this connectivity
- The CQ Loan Fund, helping business locate to the CQ, has issued loans of almost £1m to 38 businesses, unlocking 115 jobs created and safeguarded
- 17 businesses (£104k total) have benefitted from the CQ New Business Rate Relief Scheme

The CQ Company has developed an overarching strategy for the area up to 2023 so the CQ can continue to be a compelling business location for digital, creative, technology, life sciences and innovative businesses, available at <http://www.creativequarter.com/about/creative-toolkit-2014-2023/>

The CQ's reputation as a national cluster continues to grow regionally, nationally and internationally. In September 2015 the CQ received an Enterprising Britain Award and in November 2015 it received a European Enterprise Promotion Award for *Improving the Business Environment*.

*An impact assessment of the CQ is now available.*

### **Foresight Nottingham Investment Fund**

*“A great example of one of Britain’s great cities making the most of their local assets to generate investment and growth that lasts. The £40m investment is a measure of the confidence that investors have in Nottingham’s Creative Quarter and the entrepreneurial spirit of the area.”*

- Rt Hon. Greg Clark MP, Minister of State for Cities (Nov 2013)

The £40m Foresight Nottingham Investment Fund was formally launched in November 2013 and has made ten investments totalling £16.583m to date:

1. Positive Outcomes Training Limited – a £1.75m investment to support the management buy-out and to provide growth capital to increase sales and profits over the coming three years. The company is a national training provider for 16-18 year olds and adults and has had significant success in attracting new clients. It has opened offices in Nottingham, with 13 jobs created locally to date.
2. Idle Project Limited (The Idle Man) – a £1.27m investment over a number of rounds in this e-commerce, fashion start-up. Significant sales are already being generated, and 2 jobs created locally to date.
3. Crowle Wharf Engineers Limited – a £1.35m investment as part of a buy-in management buy-out of this established safety critical engineering business. New site opened in Nottinghamshire, 12 jobs created locally to date.

4. Applnst Limited – a £0.5m investment to fund sales and marketing activities in order to widen the customer base for its Software-as-a-Service platform service that allows SMEs with little or no prior technical knowledge to create their own “apps” (mobile advertising applications). 5 jobs created locally to date.
5. Morgan Tucker – an established, growing multi-disciplinary consulting engineering business – a £1m investment of development capital to support both the company’s organic and acquisitive growth strategy. 11 jobs created locally to date.
6. Mercia Power Response Limited – a £2m investment to enact the founders’ business plan for this start-up to develop, install and manage peaking power plants throughout the UK, with a focus on the East Midlands. 1 job created locally to date.
7. QS Recruitment Limited – a recent £2m investment as part of a management buy-out of this established, specialist recruitment business.
8. Poppy & Jack’s Limited – a recent £2m growth capital investment in this established childcare nursery chain.
9. Agar Scientific Limited – a recent £1.875m investment as part of a management buy-out of this precision manufacturer and distributor of electron microscopy consumables.
10. Camloc Motion Control Limited – a recent £1.47m investment as part of a management buy-out of this designer and manufacturer of made to order gas springs, dampers and associated products.

Foresight Group have, in addition, issued nine offer letters totalling £12.583m and are currently at various stages of due diligence on a number of other proposals.

### **Nottingham Technology Grant Fund (N'Tech)**

The £10m grant fund opened in April 2013, providing grants of between £20k and £1m to support the development of businesses in the three priority growth sectors. At its close (30 Sept 2015), N'Tech had made 90 awards totalling £9.7m (against an original target of 80), 81 of these to early stage growth companies. It was forecast to generate private sector leverage of £41.3m (target £40m) and unlock 1,460 jobs (923).

Awards included:

- £1m to Parexel to secure the biopharmaceutical services organisation’s future in Nottingham, moving to a new HQ at Castle Wharf and safeguarding 600 jobs
- £390k to Global Fire Systems, a Nottingham-based company that supplies, installs and maintains a host of fire detection alarms and systems both

nationally and internationally. The award is set to create 100 jobs and train ten Apprentices.

- £150k to the CQ-based AppInstitute, an app development company that graduated from the Next Business Generation accelerator programme. The award is set to support 47 new jobs over three years.
- £64k to Ekkosense, a spin-out company of the University of Nottingham that helps businesses save energy and reduce carbon emissions

It has now been succeeded by the RGF-funded N2 Business Growth Programme, run by the University of Nottingham.

*The final programme evaluation is available.*

## **Growth 100**

The ERDF-funded Growth 100 programme was run by the University of Nottingham Business School and sponsored by Nottingham City Council. The programme supported and enabled ambitious early stage growth companies to achieve their potential, covering subjects such as strategy and business planning, marketing, leadership and team building, and creativity and innovation. At the end of the nine month programme, each participating business had developed a bespoke business growth plan and the skills to move to implementation.

The first cohort of participating businesses started in April 2013, with third and final cohort graduating in June 2015. From a total of 180 applications, 85 early stage growth companies were enrolled onto the programme – of these, 72 companies completed the programme, creating 73 jobs to date. The feedback from the programme has been overwhelmingly positive and the University of Nottingham Business School has consequently applied for European funding from the new ERDF programme to deliver a further programme, looking to involve an additional 100 businesses.

*The end of programme evaluation is available.*

## **Retail ranking**

Nottingham is currently ranked by CACI as the sixth best retail destination outside of London, having fallen behind Leeds in the rankings mainly because of the delay to the Broadmarsh shopping centre redevelopment. The £35m refurbishment of the Victoria Centre has been completed, and plans for the £150m redevelopment of Broadmarsh have now been approved and work is expected to start on site in 2016, with completion in 2018.

The High Street Innovation Fund supported the development of the independent retail sector, providing business support and enabling the establishment of the Indie City network, and the £200k Vacant Shops Grant Scheme brought 42 vacant units back into use.

Since February 2013 shop vacancies in the city centre have fallen by 29%, with a 55% fall in the Creative Quarter area.

## Gen Y Programme

### **Gen Y: Next Business Generation (CQ Accelerator)**

BioCity – Europe’s largest bioscience incubator – was contracted to lead the delivery of Next Business Generation, a three-stage (‘spark’, ‘develop’, ‘launch’) accelerator programme focusing on a small number of start-ups and early stage high growth companies in the three priority sectors, working in partnership with Nottingham CleanTech Centre and the Creative Quarter.

The programme experienced a slow start following the departure of the programme director, but recovered following the appointment of Accelerace (Danish accelerator experts, specialising in lifesciences and digital content) in January 2014. The early part of the programme concentrated on ‘spark’ and ‘pre-spark’ events to generate interest and establish a pipeline of potential start-ups, the strongest of which proceeded to ‘develop’. Three intensive 12-week ‘launch’ programmes ran consecutively from July 2014, culminating with selected participants pitching to investors at Venturefest East Midlands and in Denmark.

The headline outputs and outcomes for the programme are:

- 687 participants attended 20 ‘Spark’ events organised by BioCity (inc. two Start-Up Weekends); a further 1,439 participants attended ‘Pre-Spark’ events (hosted by key partners in Life Sciences, CleanTech and Digital Content)
- 78 early stage companies participated in the ‘Develop’ stage of the programme
- 47 companies progressed to the intensive 12 week ‘Launch’ programme
- 39 companies were trading as of March 2015
- 53 jobs created and 109 jobs safeguarded
- 36 internships
- Participant companies have raised nearly £5m in grant funding and investment

*The end of programme evaluation is available.*

### **Gen Y: Inspired in Nottingham**

A collaboration between Nottingham’s Universities and FE Colleges, the Inspired programme linked entrepreneurial students to established local business mentors, and provided them a small amount of seedcorn funding to support the development of their business propositions. The collaboration proved highly successful, with strong working relationships established across the institutions under the expert leadership of University of Nottingham.

The programme came to a successful completion in January 2015, with a total of 185 students having been matched with business mentors, and 122 ideas progressing to prototype stage or trading, with a total of 84 jobs created. At least five businesses had already achieved six-figure turnovers at this point and look set to



continue with their initial success, with two businesses employing more than 10 people

*The end of programme evaluation is available.*

### **Gen Y: Pitch Perfect**

Foresight Group delivered the Pitch Perfect investment readiness programme to early-stage and high-growth businesses seeking equity finance, including Next Business Generation 'graduates', through an eighteen month series of: workshops, surgery sessions and pitching events.

- 62 companies attended workshops, delivered by experts, covering key areas that companies need to consider when seeking to raise investment.
- 44 companies attended surgery sessions, providing companies with one-to-one access to these experts and members of the Foresight Group investment team.
- 27 companies 'pitched' at pitching events, providing companies with introductions to investors.

### **Supporting a High Quality Workforce**

Youth unemployment has fallen steadily from 7.4% in March 2011 to 2.7% in October 2015. Key initiatives contributing to this are the Nottingham Jobs Fund and Nottingham Apprenticeship Hub, which offer financial incentives to employers, and the Employer Hub and Innovation Fund.

Since the City Deal (to the end of March 2015) the Employer Hub has placed over 3,514 individuals into employment, helped 2,705 jobseekers receive accredited training, and worked with over 320 employers. The City Council's Employer Hub has now been fully integrated with DWP's Nottingham-based Employer Advisors to create the *Nottingham Jobs*, part funded by the DWP Innovation Fund and costing £350K per annum for two years to March 2016.

### **Apprenticeships**

The Nottingham City Apprenticeship Hub was launched in November 2012. It set out to raise awareness and sell the benefits of Apprentices to local businesses through a programme of direct outreach (including 'door to door' contact with all CQ-based businesses), the use of intermediaries (e.g. CQ Company), and a broad marketing campaign aimed at both businesses and young people. Futures were engaged to act as the Apprenticeship Training Agency, delivering a recruitment service to Nottingham Employers, developing and delivering pre-apprenticeship programmes, and promoting apprenticeships. As the Apprenticeship established itself throughout 2013, activity stepped up, including:

- A telemarketing campaign launched in February
- The first annual Apprenticeship Fair held in March, attended by 625 young people with employers offering 'live' vacancies and application support
- The Nottingham Apprenticeship Grant was launched in April

The Nottingham Apprentice Grant offered employers financial incentives to take on Apprentices. The base grant available was £1,000 to engage an Apprentice, with enhancements for higher level apprenticeships, CQ-based companies and new employers. The grant fund was fully expended by March 2015, supporting the creation of over 400 apprenticeships.

The Nottingham City Apprenticeship Hub was set the target of supporting 1,000 Apprenticeship starts for City residents aged 16-24 between April 2012 and March 2015.

In this period it supported a total of 1,554 Apprenticeships starts, 1,167 of whom were city residents aged 16-24 years old. It also supported 250 Apprenticeships in the creative industries, 83 of whom were CQ-based.

*End of programme evaluations for the Apprenticeship Hub and Nottingham Apprenticeship Grant are available.*

### Nottingham City Deal – Evaluation September 2015

City Deal element	Metric	Target	Sept 2015	Trajectory	
<b>Fostering enterprise</b>	# of early stage growth companies supported	450	<u>334 total</u> 78 81 10 62 38 17 3 72	78 81 25 (2018) 60 (2015) 50 (2018) 15 (2015) 15 (2019) 164 (2015)	Next Business Generation N'Tech Foresight Nottingham Fund Pitch Perfect Creative Quarter Loan Fund CQ Business Rates Relief Nottingham Social Impact Fund Growth 100
	# of jobs created	7,000 by 2017	<u>6,624 tot.</u> 1,160 47 73 1,554 829 2,961	1,500 (2016) 50 (2018) 65 1,646 (2015) 600 (2015) 2,000 (2015)	N'Tech Creative Quarter Loan Fund Growth 100 Apprenticeship Hub Nottingham Jobs Fund (NJF) Employer Hub
	Ranking for retail turnover in the country	5th place by 2017 (from 6th place)	6th	6th	Nottingham is currently ranked by CACI as the sixth best retail destination outside of London, having fallen behind Leeds in the rankings mainly because of the delay to the Broadmarsh redevelopment.
<b>Generation Y Start-up Accelerator programme</b>	# of young people engaged	375 (75 per annum)	<u>1,624 total</u> 185 1,439	200 (2015) 900 (2015)	Inspired in Nottingham Next Business Generation
	# of business start-ups	250 (50 per annum)	<u>161 total</u> 122 39	<u>150 (2016)</u>	Inspired in Nottingham Next Business Generation.

<b>Supporting a High Quality Workforce</b>	% of youth employment	5.5% by 2015 (25% reduction)	2.7% (Oct 2015)		Young unemployment has fallen steadily from 7.4% in March 2011.
	# of apprenticeship starts	900 p/a by 2015 (25% increase)	1,548 (March 2015)	1,548 by March 2015	The 900 p/a are for total 16-18 year old apprenticeships captured by NAS; latest figure available is for 2014-15 financial academic year is 602. See note below Figures in metric are the apprenticeships (16 to 24) created by the Nottingham Apprenticeship Hub that was set up with City Deal Funding
	% of workforce qualified to level 3	50% by 2017	53.4%		Nottingham is comparable with the East Midlands (53.3%) and slightly lower than Great Britain (56.7%)
<b>Developing 21st Century Infrastructure</b>	% of sustainable energy	20% by 2020	TBC	16.21% (2016) 19.79% (2020)	The current figure is based on 2011 published government figures on domestic and commercial energy consumption.