

6th May 2014**Agenda Item: 7****REPORT OF THE GROUP MANAGER, CORPORATE STRATEGY****WORKSOP TURBINE INNOVATION CENTRE – WITHDRAWAL OF
BASSETLAW DISTRICT COUNCIL FROM DEED OF AGREEMENT****Purpose of the Report**

1. To secure approval for the signing of a deed of release to enable Bassetlaw District Council to withdraw from the Deed of Agreement relating to the Worksop Turbine Innovation Centre.

Information and advice

2. Nottinghamshire County Council owns the Worksop Turbine Innovation Centre ('the Turbine'), which was built in 2005-6 using a combination of capital funds from the European Regional Development Fund (ERDF), Single Programme funds and the County Council's own capital contribution. The centre opened in 2006. It is managed by Oxford Innovation Ltd under a five-year contract which also covers the Newark Beacon and Mansfield i-Centre.
3. Prior to the completion of the Turbine build, a Deed of Agreement was signed between the County Council, Bassetlaw District Council and the North Derbyshire and North Nottinghamshire Sub-regional Strategic Partnership (SSP). This defined the financial contributions each party would make towards the capital build costs and also agreed commitments to meet any future revenue shortfalls.
4. Bassetlaw District Council did not contribute towards the capital build costs but the Deed of Agreement requires the District Council to fund 50% of any ongoing revenue deficit at the Turbine. The County Council meets the other 50%. The deficit is calculated annually by assessing net income against net expenditure. The Deed of Agreement allows for any operating surplus to be distributed amongst the parties in agreed proportions.

Deficit payments to date

5. Since opening in 2006 the Turbine has operated at a loss. Whilst the loss figure has reduced in recent years, total losses to the end of 2013-14 stand at £622,000. Bassetlaw District Council have therefore been required to pay the County Council £311,000. A breakdown of these deficits [rounded to the nearest £1,000] is provided overleaf:

2005/6	-£86,000
2006/7	-£132,000
2007/8	-£86,000
2008/9	-£96,000
2009/10	-£55,000
2010/11	-£9,000
2011/12	-£88,000
2012/13	-£70,000
2013/14	Break even [note: pending finalisation of accounts]
Total	-£622,000

6. As previously reported to this Committee, performance at the Turbine has improved significantly during the last twelve months, and occupancy now stands at over 95%. This has had a marked impact on the operating revenue position and the latest projections forecast that the Turbine will deliver a surplus in 2014-15.

Deed of release

7. A deed of release has been prepared by the County Council and shared with Bassetlaw District Council and the Homes and Communities Agency (HCA – successors in title to the North Derbyshire and North Nottinghamshire SSP from April 2012). The HCA is considering its position and will take a formal decision at its Midlands Regional meeting on 7th May. It is anticipated that the HCA will agree to the proposed change as it is not financially affected by the proposal. All parties have agreed in principle that the deed of release should be executed and be effective from 1st April 2014, subject to formal consent from the HCA as referenced above.
8. Subject to Committee approval, the deed of release will mean that Bassetlaw District Council will not be required to make a financial contribution towards any future deficits at the Turbine. Equally, the District Council will lose its right to a share of any operating surplus generated by the centre. Should the centre generate a capital receipt in the future, the District Council will not have any right to a share of any capital receipt as it did not contribute to the original capital build.
9. The County Council will be solely responsible for any operating revenue deficits at the Turbine but will also be assigned the District Council's proportion of any future surpluses. The HCA's entitlement to a proportion of any future surpluses is not affected, and stands at 37.53%. The County Council would therefore receive 62.47% of any future operating surplus.
10. Bassetlaw District Council have requested that they continue to be members of the Strategic Management Board (SMB) for the Nottinghamshire Innovation Centres, given the importance of the centres to stimulating economic growth and creating jobs in their local areas. There is also value in continued engagement of Bassetlaw District Council at the SMB in terms of our ongoing relationships and partnership work with the District Council on wider growth

initiatives and support for new start and growing businesses in the County. The SMB meeting on 29th April 2014 agreed that Bassetlaw District Council's active engagement with the Innovation Centre work was valued and that they should continue to be invited to the SMB, although noting that the District Council's status would change from voting member to observer.

Risks and considerations

11. As outlined above, there are risks to the County Council of acceding to this request. The County Council will find itself fully liable to any future revenue deficits accrued at the Turbine for the duration of the contract with Oxford Innovation (to March 2016 at the earliest). It is not possible to predict what future deficits might be at the Turbine, although Members will note recent good progress in this regard.
12. Future operating surpluses would accrue to the County Council and HCA in the proportions outlined at paragraph 9. The deed of release would legally confirm that Bassetlaw District Council waives any and all rights to future surpluses.
13. A future management contract could be let as a concession and pass on liability for deficits to the new contractor. This would also mean that any future surpluses generated by the centre would accrue to the contractor and the Council would have limited control over issues such as service standards, business support provision and routine maintenance.

Reason(s) for Recommendations

14. Bassetlaw District Council have formally requested that they be released from the existing Deed of Agreement. Committee consideration of this request is required.

Statutory and Policy Implications

15. This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described in the report.

Financial implications

16. A change of this nature will mean that the County Council will be solely responsible for future revenue deficits at the Turbine. Currently, these will need to be met through the Economic Development Committee budget. Forecasts are used at the start of the financial year to enable Economic Development Committee to agree an amount to meet projected deficits. These forecasts are monitored throughout the year to ensure that sufficient funds have been earmarked or to enable funds to be released should the projected deficit reduce.

17. There is a risk that deficits at the Turbine may rise in future years. Equally, should positive progress be maintained, surpluses generated by the centre will accrue to the County Council in full.
18. The existing management contract with Oxford Innovation is not affected by the proposed deed of release.

RECOMMENDATIONS

19. It is recommended that Committee approves the signing of a deed of release to enable Bassetlaw District Council to withdraw from the Deed of Agreement relating to the Worksop Turbine Innovation Centre.

Report of the Group Manager, Corporate Strategy, Celia Morris

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Constitutional Comments (NAB 1.04.14)

The Economic Development Committee has authority to approve the recommendation set out in this report by virtue of its terms of reference.

Financial Comments [SEM 25/04/14]

The financial implications are set out in the report.

Background Papers

Deed of Agreement relating to the Worksop Turbine Innovation Centre, 2004

Electoral Division(s) and Member(s) Affected

Worksop North, Cllr Sybil Fielding