

**REPORT OF THE LEADER OF THE COUNCIL****INTEGRATING INNOVATION CENTRES IN NOTTINGHAMSHIRE – REVISED APPROACH****Purpose of the Report**

1. This report sets out the latest position on the future management of the Integrating Innovation Centres contract and makes recommendations for the preferred service delivery route the Worksop Turbine.

**Information**

2. The Council Plan 2017-2021 confirms the Council's intent to help companies make decisions about choosing Nottinghamshire as a business location. With over 28,000 active enterprises in the county, we already have strong foundations to build upon. The county area remains a competitive business location with key logistical advantages. However, whilst there is a resilient and ambitious business base, there is still a need to facilitate growth and job creation in order to enable some firms to succeed and grow.
3. The County Council has a long history of supporting and accelerating the newest, and most vibrant, businesses. An example of this approach has been the Nottinghamshire innovation centres comprising Mansfield i-Centre, Newark Beacon and Worksop Turbine. The three centres were built to provide flexible and high-quality business accommodation for innovative and high growth small to medium sized enterprises and to drive economic growth and job creation in the local community.
4. In April 2011, a major change to operations was instituted with a move to a single, outsourced management contract covering all three centres. Previously, Mansfield i-Centre and Newark Beacon had been managed under separate outsourced contracts with different providers, and Worksop Turbine had been managed in-house by the County Council.
5. The integrated management contract had the joint aim of seeking to improve the way the three centres were managed and to drive the maximum economic benefit.
6. Oxford Innovation Ltd was appointed on a five-year contract to March 2016, with a further two one-year extensions. The remainder of this report draws on a body of work following Policy Committee's approval in December 2017 to extend the existing innovation centres contract to 30<sup>th</sup> September 2018 with the incumbent contractor, to give Officers time to review the future management of the three Centres.

**Current Contract**

7. Under a Management Agreement, Oxford Innovation Ltd provides day to day centre and facilities management, business support and coaching. The premises have different building owners but the County Council is an equity stakeholder in Newark Beacon and contributed to the capital costs of the Mansfield i-centre. Details of the ownerships are set out below:
- Worksop Turbine (owned by Nottinghamshire County Council)
  - Newark Beacon (owned by Newark and Sherwood District Council with an interest held by Nottinghamshire County Council)
  - Mansfield i-Centre (owned by Mansfield District Council for which Nottinghamshire County Council contributed to the original capital costs)
8. The Management Agreement model assumes that Oxford Innovation Ltd quarterly contract fees are met by income generated by licence fees and conferencing services. The individual owning authority meets all surpluses/deficits (noting the County Council's equity state in the Beacon whereby it has a percentage call on surpluses or conversely a responsibility to make a proportionate deficit contribution). Other salient points include:
- a) There is a Weighted Performance agreement in the Management Agreement to drive surpluses – with bonus payments available to the operator focused primarily on financial performance and customer satisfaction with a secondary emphasis on occupancy (to drive revenue) and business support to drive individual business growth and job creation. There is however no formal penalty clause.
  - b) There is a mechanism for Newark & Sherwood and Mansfield Councils to each draw down a £15,000 per annum contribution to a building sinking fund and to charge up to £6,000 management costs per annum to the contract, which are deducted before surpluses/deficits are calculated. No such provision exists for the Worksop Turbine which owned by the County Council.

### Review and Outcome

9. The review process, agreed by Policy committee in December 2017, was undertaken by officers with support from property agent Lambert Smith Hampton. It focused on the changing priorities of the County and District Councils and commercial market considerations namely:
- Adoption of the new Council Plan and Place Departmental Strategy;
  - Changes and pressures on local authority funding and the increasing need to raise revenue;
  - The advent of university led innovation programmes and buildings;
  - An increasingly supply of price competitive commercial space from the private sector and
  - The introduction of the D2N2 Growth Hub (business support and advice to new and growing businesses).
10. Further, the review has reasserted earlier assessments (including soft market testing) that the services under the current contract form are largely effective but are:
- a) Expensive in comparison to other potential delivery models;
  - b) Do not deliver the original economies of scale that the outcomes of the original contract were predicated on;

- c) Represent an undue burden on partners (in particular the County Council) in respect of the time and expense of contract management;
  - d) Provide budget uncertainty regarding deficits payable;
  - e) Superseded in parts by:
    - i. the Derby, Derbyshire, Nottingham and Nottinghamshire (D2N2) Growth Hub offer – to which the County Council contributes
    - ii. University led and externally funded provision and
    - iii. Sector specific innovation response programmes including those supported by the Midlands Engine Vision for Growth and Investment Fund.
11. During the course of the review, Newark and Sherwood District Council advised that they had been conducting their own internal review in respect of the future development of the Newark Beacon, with the underlying objective of income maximisation. Accordingly, Newark Beacon has been withdrawn from the joint tendering process. Irrespective of the outcome of their review, interim management of the Newark Beacon will be taken in-house from 1<sup>st</sup> October 2018.
12. On this basis, a two-centre model, involving Mansfield i-Centre and the Worksop Turbine, is unlikely to be attractive to the market; particularly given the current occupancy / licence fee performance and age of the Mansfield i-centre.
13. As part of the review, Lambert Smith Hampton (LSH) were appointed to undertake a Professional Standards 'Red Book' asset valuation of the three centres. This gave more insight into operational costs and revenue performance across each of the centres set against the likely value of each on the open market. Whilst the Worksop Turbine's performance has improved the County has a net deficit in the overall cash flow which is not desirable in the context of the Council's budget constraints.
14. The review therefore identifies an opportunity to improve the financial performance of the Worksop Turbine centre by bringing the management and letting of the property in house whilst still delivering business support for the tenants in partnership with external agencies. A full Business Case will be developed prior to the transfer of the centre in September 2018.

### **Other Options Considered**

15. The 'do nothing option' was not viable as the current contract extension will lapse on the 30<sup>th</sup> September 2018.
16. The three-centre model retendering options appraisal was discounted as one partner confirmed their intention to review and withdraw from the three-centre model re-tendering arrangement due to the risks that it represented to the duration and viability of the process and its attractiveness to market.
17. Going forward with a 'two-model option' was also discounted as the review concluded that there was not a good strategic or operational case that would be sufficiently attractive to the private and third sector market and to pursue such has a reputational and financial risk to the County Council both as the lead partner and owning authority of the Worksop Turbine.

### **Reason for Recommendations**

18. To deliver the Council Plan commitments of making a great place to raise a family, to build a future, to enjoy later life, and to start and grow a business, requires flexibility. Rather than being locked into long-term contractual arrangements that are costly to change, insourcing the management of the Worksop Turbine Centre enables the Council to take a long-term view on the business needs and aspirations of our area and the investment needed to meet these needs. This approach will support wider plans to stimulate economic growth locally and help manage pressure on public services.

## **Statutory and Policy Implications**

19. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **Financial Implications**

20. The County Council has pre-existing commitments to support deficits and share in surpluses in the Worksop Turbine and the Newark Beacon. Appropriate budgetary provision has been made from within the Growth and Economic Development budget and where required, this has included meeting specific property upgrade requirements.

## **Human Resources Implications**

21. If the proposal to transfer the service from Oxford Innovation Ltd to the County Council is approved, the employees currently undertaking the service will transfer to the County Council under Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) arrangements. This will include three full time posts. Information on the financial liabilities (salary, pension, leave etc.) has been received from Oxford Innovation and work will be undertaken to ensure that the appropriate process is adhered to. The roles of these staff will remain very similar to the duties currently performed under the incumbent contract.

## **Implications for Service Users**

22. By ensuring the continuing operation of the Worksop Turbine, the Council will be responding to local businesses people, both established and those planning to set up new businesses, requests for more affordable, flexible and quality business accommodation, which will help encourage economic growth in the area.
23. The Council has experience in managing these types of development and underpins the Council's commitment to supporting small and local businesses in order to reach their full growth potential.

## **RECOMMENDATIONS**

It is recommended that Policy Committee:

- 1) Approves the County Council's withdrawal from the three centre Integrated Innovation Centres contract as of 1<sup>st</sup> October 2018.
- 2) Approves the transfer of the management of the Worksop Turbine to the County Council as of 1<sup>st</sup> October 2018.
- 3) Delegates' authority to the Director of Investment & Growth, in conjunction with the Section 151 Officer, to negotiate the exit process with the district partners for the other two centres.
- 4) Agrees to receive an update report at a future meeting.

**COUNCILLOR MRS KAY CUTTS MBE**  
**Leader of the County Council**

**For any enquiries about this report please contact:**

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**Constitutional Comments (EP 24/05/2018)**

24. The recommendations fall within the remit of the Policy Committee by virtue of its terms of reference.

**Financial Comments (RWK 24/05/2018)**

25. The financial implications are set out in paragraph 20 of the report

**HR Comments [JP 08/06/2018]**

26. The HR implications are set out in paragraph 21 of the report

**Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- *Integrating Innovation Centres in Nottinghamshire Contract* – Report to Policy Committee, Published 20 December 2017

**Electoral Division(s) and Member(s) Affected**

- Newark West – Councillor Keith Girling
- Worksop North – Councillor Alan Rhodes
- Mansfield South – Councillor Andy Sissons