



**11 June 2013**

**Agenda Item: 10**

## **REPORT OF THE GROUP MANAGER, CORPORATE STRATEGY**

### **INTEGRATED INNOVATION CENTRE CONTRACT: PERFORMANCE REPORT**

#### **Purpose of the Report**

1. To report on performance during the second year of operation of an integrated management contract covering the three Nottinghamshire innovation centres of Mansfield i-Centre, Newark Beacon and Worksop Turbine.

#### **Information and Advice**

##### **Background**

2. The three innovation centres in North Nottinghamshire were built to provide flexible and high-quality business accommodation and to drive economic growth in the local community. A key principle behind their establishment was to nurture innovative knowledge-based enterprises in order to bring higher-skilled and better-paid employment into areas which traditionally had low skills levels and associated low wages.
3. Tenant businesses at the centres benefit from excellent facilities including high specification buildings, modern telephony and ICT facilities, access to meeting and conferencing facilities, on-site cafés, and in the case of the Mansfield i-Centre, an on-site nursery.
4. The premises have different building owners but the County Council is an equity stakeholder in all three, having contributed to the construction costs of all.
5. 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 and different providers, and Worksop Turbine had been managed in-house by the County Council.
6. The integrated management contract had the joint aim of seeking to improve the way the three centres are managed, and to drive the maximum economic benefit from the Nottinghamshire centres - by enabling additional collaboration opportunities for businesses in the centres, e.g in terms of networking and supply chain development, and by integrating business support, both of which will promote growth in the tenant businesses.

7. Oxford Innovation Ltd (OI) was appointed on a five-year contract to March 2016, with the possibility of two one-year extensions.

**Performance against targets in 2012/13**

*Occupancy*

8. The contract contains targets to encourage the contractor to grow occupancy in order to eventually bring all three centres into surplus, whilst maintaining customer satisfaction and encouraging successful companies to graduate from the centres. This last target introduces a tension into the contract, as the contractor must increase occupancy whilst also enabling some tenants to move on.

9. At the end of the first year of operation, in which there was a very challenging trading environment, occupancy across the three centres increased from 71% to 72.7%. In the second year, the centres saw further occupancy growth with year-end average occupancy at 80.6% (c. 11% growth in percentage terms, 9% growth in terms of occupied floorspace). There were variations within the centres, with the highest year-end occupancy at Mansfield iCentre at 89% and the lowest at Worktop Turbine at 73% - which was still higher than any occupancy level previously achieved in this centre.

10. During the second year, occupancy growth was achieved even in the face of six customer graduations. A graduation is counted when a business leaves a centre to move into its own newly purchased premises, or other leased premises where there is a measure of growth. Company departures for reasons of downsizing are not counted as graduations. In 2012/13, several of the graduating companies were able to buy their own premises with financial support from Regional Growth Fund.

11. The occupancy growth described above was driven primarily by company expansion. Integrated business support is a feature of the new contract and the growth in company size among existing tenants demonstrates how the provision of expert business support for tenant companies is reaping rewards in term of company survival and growth. The total number of tenant businesses in the centres showed very small growth, increasing from 90 to 91. There was some growth in the number of virtual tenants (those who maintain an address and telephone answering service at the centres) from 81 to 85 (c. 5% growth).

*Jobs*

12. A key aim of the centres is to grow employment. At March 2012 there were 399 FTE jobs in the three centres – growth of 16% on the preceding year. At March 2013, there were 528 FTEs in the three centres – a further 32% growth which exceeded expectations. A detailed breakdown of the job figures by centre is given in the table below.

<b>Centre</b>	<b>FTEs in tenant customers at 31 March 2012</b>	<b>FTEs in tenant customers at 31 March 2013</b>
Mansfield iCentre	165	187
Newark Beacon	90	135

Workshop Turbine	144	206
<b>Totals</b>	<b>399</b>	<b>528</b>

13. Of the 528 jobs, 72 were completely new jobs created in tenant businesses during the year. As well as the 528 jobs in tenant customers, there were another 107 FTE jobs associated with virtual tenant customers of the three centres, and 9 FTE staff employed across the centres by the contractor.

#### *Business support*

14. Provision of free innovation business support to centre tenants was a service enhancement in the contract. In the second year, the target to provide at least 10 hours of innovation business support to 46 tenant businesses was met. A breakdown by centre is given below:

<b>Centre</b>	<b>No of customers benefiting from business support</b>
Mansfield iCentre	16
Newark Beacon	15
Workshop Turbine	15

#### *Financial performance*

15. The contract value is around £1m per year. It was anticipated that all of the contract fee would be met from rental and conferencing income generated by the centres. At the end of year 2, total income generated was around £100,000 less than the contract fee. There were deficits in all three centres: taking in-house costs also into account, these were at £7,695 at Newark Beacon, £14,024 at Mansfield iCentre and £87,647 at Workshop Turbine. There are pre-existing deficit sharing arrangements between the partners. As this was the second year in a row that the centres had failed to break even, a 5% penalty will be applied on the annual contract fee, which will go some way towards offsetting the costs.

16. Factors impacting on income include the competitive trading environment and use of discounting to drive occupancy. The contractor is working to address the issue and income started to improve in all three centres in the second half of 2012/13. Forecasts for 2013/14 are for small surpluses in two of the centres, and a reduced deficit at Workshop Turbine.

#### **Other Options Considered**

17. No options apply to this information report.

#### **Reason/s for Recommendation/s**

18. The report is for information.

#### **Statutory and Policy Implications**

19. 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 below. Appropriate consultation has been undertaken and advice sought on these issues as required.

**Financial Implications**

The County Council has pre-existing commitments to support deficits and share in surpluses contained in Deeds of Agreement for each of the centres. Appropriate budgetary provision is made from within the Economic Development Budget, where required.

**Equalities Implications**

Accessibility is an integral part of each innovation centre building and is routinely considered in service provision under the contract.

**RECOMMENDATION/S**

- 1) That the report be noted
- 2) That a further report on performance on the Integrated Innovation Centre contract be brought back to Economic Development Committee in 12 months.

**Report of the Group Manager, Corporate Strategy**

**For any enquiries about this report please contact: Kay Massingham ext 72212**

**Constitutional Comments (NAB 15.05.13)**

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

**Financial Comments (SEM 14.5.13)**

21. The financial implications are set out in the report.

**Background Papers**

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.

Contract Award Notice, 1 March 2011  
Strategic Management Board 23 April Report on Contract Performance 2012/13 Annex 1: KPI Monitoring

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

Newark West, Tony Roberts  
Worksop North, Sybil Fielding  
Mansfield South, Stephen Garner, Andy Sissons

