



26 June 2012

Agenda Item:

REPORT OF THE CHAIRMAN OF ECONOMIC DEVELOPMENT COMMITTEE

**INTEGRATED INNOVATION CENTRE CONTRACT: PERFORMANCE
REPORT**

Purpose of the Report

1. To report on performance during the first 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 comprise the Mansfield i-centre, the Newark Beacon and the Worksop Turbine. The centres 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 the 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.

- 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 2011/12

Occupancy

- 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.
- At the end of the first year of operation, occupancy across the three centres had increased from 71% to 72.7%. During this period, there had been five 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.
- During 2011/12, the number of tenant businesses in the centres increased from 83 to 90 (8.4% growth). At the same time, the number of virtual tenants increased from 68 to 89 (30% growth).

Jobs

- A key aim of the centres is to grow employment. Based on a survey conducted in May 2011, there were 345 FTEs at the three centres (Note: this is an extrapolated figure based on returns to the audit; not all customers responded). By March 2012 this figure had increased to 399 – growth of 16%. A detailed breakdown of the job figures by centre is given below

Centre	Estimated FTEs in tenant customers May 2011	FTEs in tenant customers at 31 March 2012
Mansfield iCentre	150	165
Newark Beacon	86	90
Worksop Turbine	109	144
Totals	345	399

- 163 of the 399 FTEs counted at year end were jobs in businesses arriving in the centres during the year. 39 were completely new jobs created across all tenant businesses during the year. As well as the 399 jobs in tenant customers, there were another 92 FTE jobs associated with virtual tenant customers of the three

centres, and 10 FTE jobs directly employed by the contractor to work in or across the centres.

Business support

13. Provision of free innovation business support to centre tenants now forms part of the service. In the first 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:

Centre	No of customers benefiting from business support
Mansfield iCentre	17
Newark Beacon	14
Worksop Turbine	15

14. Annex 1 provides two case study examples which typify business support provision. The business support aims to help tenant businesses grow. OI routinely follow up beneficiaries 12 months after conclusion of business support to test whether this has been achieved.

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 1, in fact total income generated was around £90K less than the contract fee. Looking at the individual centres, deficits were at Newark Beacon and Worksop Turbine. Mansfield iCentre had a surplus of some £28K of income above contract fee. Some in-house expenditure will be met out of this sum before final surpluses are shared between partners in accordance with pre-existing agreements. The shortfall on the other two centres will be met by partners under pre-existing deficit sharing arrangements.

16. Factors impacting on income include the wider economic climate, use of discounting to drive occupancy and failure to increase prices in a timely manner. These issues have been raised with the contractor. If the missed target for 2011/12 is not remediated by 31 March 2013, a penalty clause comes into play equivalent to 5% of the contract fee in 2012/13. At the same time, the financial target for 2012/13 remains as set out in the original Tender Documentation, at break even in each individual centre.

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 Chairman of the Economic Development Committee

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

Constitutional Comments (NAB 12.06.12)

20. The Economic Development Committee may note the contents of this report.

Financial Comments (MB 13/06/12)

21. There are no financial implications arising directly from 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 21 May 2012 Report on Contract Performance 2011/12
Annex 1: KPI Monitoring

Emails from R. Panther, Oxford Innovation, Job outputs, Thursday 24 May and Friday 25 May

Electoral Division(s) and Member(s) Affected

Newark West, Keith Girling

Worksop North, Sybil Fielding

Mansfield South, Stephen Garner, Chris Winterton

ANNEX 1: BUSINESS SUPPORT CASE STUDIES

CASE STUDY 1

Name of Company Assisted

PrimarySite

How the Company found out about the Coaching for High Growth programme

PrimarySite is based in the Newark Beacon Innovation Centre, a centre managed by Oxford Innovation, where it also provides business support to tenants.

The Growth Challenge

PrimarySite creates websites for primary schools. The company was founded in 2002 by husband and wife team, Geoff and Rose Millington, drawing on Geoff's experience as a primary school teacher and Rose's background in IT. PrimarySite has grown rapidly, providing a quality product that meets the needs of its primary school customers, and achieved turnover of approximately £750,000 in 2010/11. However, the company has also increased in its size and complexity and so profitability has remained relatively flat over recent years.

How has Oxford Innovation's Coaching Team helped?

Oxford Innovation assisted the directors to undertake a comprehensive review of the business and to develop a new strategy that sets out the role the business wishes to play in inspiring primary schools and children in using web technology to fulfil their potential. As a result, the focus of the business will shift to include additional web applications that can further enrich the learning experience for children.

A new set of goals were created, including profitability targets, and plans were developed to improve the marketing of new and existing products and services with the aim of increasing customer numbers and revenues. Plans were also developed to increase the efficiency of the 'back office' in order to service customers more effectively and generate cost savings.

In order to engage their staff in the changes taking place, a set of core values were established with the management team aimed at engendering a culture where staff are empowered to take decisions and innovate, thus providing more time for the directors to work 'on the business', rather than 'in the business'.

What is happening now?

PrimarySite now has a new succinct business plan summarising the key actions the management team needs to take to achieve their vision and goal of becoming a £5 million turnover business by 2015. The directors are confident that, by following the strategies now in place, they will achieve an increase in revenue of 25% this year and, with this, greater profitability.

Quote:

"We have found the pro-active support provided by Oxford Innovation to be invaluable. Our previous experiences of business support and mentoring programmes is that they were often disjointed and too passive. When we told Oxford Innovation that we were interested in receiving advice on business growth, we were offered an intensive course of four half-day sessions with Richard Crooks, where we covered a lot of ground in a logical, structured way.

"These sessions forced us to step back from the business, challenge the way we do things, and set some clear goals for the short, medium and long term future, rather than the more year-to-year approach we had been taking. While Richard provided some standard business practices and models for us to use, he also familiarised himself with the specific issues affecting our business, tailoring his advice accordingly.

"We feel refreshed and inspired, and are determined to move forward with a clear vision and the tools we need to achieve our goals."

CASE STUDY 2

Name of Company Assisted

Purpose Media

How the Company found out about the Coaching for High Growth programme

Purpose Media is based in the Mansfield i-centre, a centre managed by Oxford Innovation, where it also provides business support to tenants. Purpose Media is an e-commerce business. They offer content managed and ecommerce websites, website-Sage integration and online marketing, including search engine optimisation.

The Growth Challenge

Since its formation in 2009, Purpose Media has grown to achieve turnover of £250,000. The founders' next ambition is to generate a turnover of £1 million in the near future. However, the two directors felt that they were "too close" to the business and welcomed external support from Oxford Innovation to develop a marketing and sales strategy to drive an increase in their turnover and profitability. They also wanted help to understand what capabilities and resources they required to support their growth objectives and, at the same time, to reduce the reliance on them as the only two directors.

How has Oxford Innovation's Coaching Team Helped?

Oxford Innovation undertook a comprehensive review of the business, starting with its vision. A clear strength of Purpose Media is its ability to create web solutions that provide an excellent return on investment (ROI) for their clients. Therefore, a vision was created, "to help businesses to achieve superior ROI performance via the web". This provided the context for their marketing and sales strategy.

For the business, there was the need, not only to increase client numbers but, also and more importantly, to increase the average value of client projects. So an analysis was undertaken of the different services or solutions required from clients in order to achieve “superior web-based ROI”. These were identified as:

- 1) Establishing a strong, initial web presence
- 2) Maximising visitor numbers
- 3) Converting visitors into leads, and leads into customers
- 4) Improving business efficiency, by integrating a website into the ‘back office’
- 5) Providing integration between online and offline marketing, providing a consistent brand message

The implications for Purpose Media were to:

- 1) Change their customer offer to articulate it in terms of (the above) business solutions, rather than promoting a range of technical-based solutions.
- 2) Create agreed ROI outcomes / measures for clients’ websites so as to measure their success and, ultimately, the success of the services provided by Purpose Media.
- 3) Develop the capabilities within the business to deliver effectively all of the different elements of their offer - deciding whether to recruit or buy in the required resources.
- 4) Set revenue goals for each of the elements of their offer, from “developing an initial webpresence” through to “providing online and offline integration”, in terms of how each element will contribute towards the turnover target of £1 million, and then work up plans to deliver against those goals.
- 5) Identify the company’s target market in terms of sectors and geographical locations, and routes to those markets, in promoting and selling their new customer offer.

What is happening now?

Purpose Media have created a new business plan incorporating the new approach that was identified with Oxford Innovation. With new business wins and increasing revenues from existing clients, directly as a result of implementing this new approach, Purpose Media is making new appointments – up to four in total - to deal with new levels of business. With a new found momentum and confidence, the directors have also recently appointed a new PR & marketing manager to help raise their profile and target the level of business required to achieve their £1 million turnover target. These changes will support the firm’s growth, whilst reducing dependence on the current two directors.

Quote

“We have been involved in various business support programmes in the past, but none as good as the one we have undertaken with Oxford Innovation. The way forward suddenly appears very clear

and we now know how to get there, what people we need around us, and the type of clients whom we are seeking to target.”

“I would highly recommend Oxford Innovation to any business which is actively trying to grow and wants to understand what they need to do to achieve this. The support, business knowledge and, more importantly common sense, from Richard Crooks (of Oxford Innovation) has proved for the past few months to be simply invaluable, to say the least.”