

## **REPORT OF THE LEADER OF THE COUNCIL**

### **INTEGRATING INNOVATION CENTRES IN NOTTINGHAMSHIRE CONTRACT**

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

1. The purpose of this report is twofold:
  - a) To approve a 6 month extension to the Integrating Innovation Centres in Nottinghamshire contract; and
  - b) For Policy Committee to receive a further report on the future contract position on the completion of a review of the contract form and inclusions.

#### **Information and Advice**

2. Nottinghamshire County Council manages a contract governing the facilities management and business support services at three innovation centres across the county. Each centre is under different ownership as indicated in brackets:
  - a. Mansfield I-Centre (Mansfield District Council);
  - b. Newark Beacon (Newark and Sherwood District Council); and
  - c. Worksop Turbine (Nottinghamshire County Council).
3. The Local Authority partners currently engage in key aspects of the contract through a Strategic Management Board (SMB). This includes annual contract fee and budget and performance setting. An officer of the Housing and Communities Agency (HCA) also sits on the SMB in recognition that each centre has received external grant funding towards the capital build stages – this confers a retained financial interest in all of the centres for all funders. This will have an impact on any future contract/business model selected by partners to operate the centres.
4. In April 2011, the County Council awarded the contract on behalf of partners to Oxford Innovation on a five-year contract to March 2016, with the possibility of two one-year extensions. Each of the single year extensions have been applied, with the current contract scheduled to expire on the 31 March 2018.

#### Contract Form

5. The current contract operates as a “Management Agreement” whereby Oxford Innovation manages the centres on behalf of partners with annual income from licences and conferencing covering the operational costs with the surplus generated at each centre being returned to the respective centre owners following a deduction by the operator for performance related bonuses (where relevant). From this, Newark and Sherwood and

Mansfield District Councils also draw off a contribution to their in house costs and a building sinking fund.

6. The County Council does not seek to cover its management or technical costs and covers its capital costs outside of the contract. This includes an annual request to Committee (where required) to cover specific improvements at the Turbine. In the past this has included toilet and kitchen upgrades and communal redecoration to make the centre attractive to existing and new tenants. Statutory or substantial items of repair and maintenance are met by the County Council's Property budgets. Future proofing to meet emerging trends is addressed on a case by case basis. For example, the Council has successfully sought funding to develop a Business Lounge at the Turbine, this opened in June 2017.
7. Each owning authority is responsible for meeting any deficits at their specific centre (as well as covering depreciation, insurance and so forth). This is a critical point to consider during the review, as occupancy can be adversely impacted by economic downturns leaving cost uncertainty.

### Contract Services

8. The three Nottinghamshire Centres offer serviced offices and workshops – termed as fully-inclusive “easy in-easy out” licence agreements. This provides fledgling businesses with flexible terms (they can leave the centres or change office sizes with 1 months’ notice) and cost certainty. Space is used flexibly to meet market needs for instance: shared offices, virtual offices, hot desk facilities, internal/external conferencing and meeting room services and on-site catering. Tenants have access to specialist business support from Oxford Innovation, a nationally renowned specialist in this field. This supports new and start-up small and medium-sized enterprises (SMEs) in understanding and growing their market and workforce. This enables them to grow their space in the centres and ultimately graduating to their own business accommodation.
9. Graduations and employment generation are the key outputs of the contract, with the intended outcomes being the creation of sustainable higher skilled employment opportunities in high growth SMEs. This aligns with the Council Plan (commitment 10 – high quality business accommodation for new and growth businesses and driving business productivity) and the intended provision of Business Parks across the county. The Innovation Centres are clear “feeders” for new and emerging commercial space.

### General Performance

10. The contract has performed steadily and continues to develop and adjust to meet the patterns of need and opportunity across the County. Demand is healthy, especially for small scale units and occupancy levels currently remain good, being ordinarily between 80-90%.
11. A recent Internal Audit Report has highlighted areas of improvement to minimise risk and improve the effectiveness of the contract. The findings of this report will be incorporated in the proposed contract review and will inform future procurement and contract management processes. Soft market testing undertaken in 2016 and a recent assessment of the quality and service standards of the operator, has highlighted some areas of improvement and best practice that can also support the review outcome.

12. Each centre is currently undergoing a series of improvement projects to align them with market need and to future proof them – making them attractive to new tenants and future commercial operators.

13. In 2016/17 there were 192 tenants of virtual businesses at the centres employing 539 full time equivalents posts (FTE). Of these 77 were new jobs created in that year. In 2017/18 the creation of a further 70 new jobs is targeted across 218 business tenants.

**Post 31 March 2018**

14. The Council's contract with Oxford Innovation is due to expire at the end of March 2018. However, a review is required to inform future delivery which maximises value for money and which:

- minimises financial risk and management costs to the centre owners
- simplifies the current contract performance processes
- accounts for emerging private sector managed space offers and costs
- accommodates the changing need for the innovation support offer in line with:
  - the developing initiatives relating to the Council's business park and workspace plans
  - Current and future D2N2 Growth Hub services and
  - university led innovation programmes
- accounts for the external funders interest in the buildings and any financial implications of this
- incorporates any statutory responsibilities and costs in relation to the contract – including the obligations of each owning authority in respect of the Transfer of Undertaking (Protection of Employment) Regulations (TUPE)

15. There is insufficient time to complete a thorough review on behalf of the 3 local authorities and funders, procure future services and accommodate the necessary handover period to a new operator before the 31 March 2018. Therefore after consultation with partners, a one-off 6 month extension period to the current incumbent is required on a new 6 month contract on the same terms and conditions as currently applicable. The 6 month contract "extension" is outside of the scope of the existing contract and would be considered a direct award and so is not without procurement risk. However the risk is considered low due to the contract "extension's" short term and the re-scoping of the future provision.

16. Discussions have taken place with Oxford Innovation over their appetite for an extension and they have agreed the principle of a one-off six month "extension". The intent is that this would cease 30 September 2018.

17. Following the review, a further report will be brought to this Committee with a recommendation on the most appropriate and cost effective way to proceed.

**Other Options Considered**

18. The alternative is a re-tendering process, which even if it was started immediately would not allow for an appropriate handover period to any new operator or sufficient time to consider the new operating environment. Furthermore, the business continuity in each centre (and that of individual tenants) could be impacted as could income generation and costs. The risk of reputational damage to the Councils would also be high based on the service levels offered.

19. Further, if the decision taken was to re-procure on the basis of current information/performance, the market may not respond as flexibly as the incumbent contractor.

**Reason/s for Recommendation/s**

20. The conclusion drawn is that a contract extension would offer the best value for money and continued good standards of service for Nottinghamshire County Council, local authority partners and business tenants. The extension period will facilitate a review period to develop an informed contract response that meets current and future needs and brings more cost certainty to the authority with the inclusion of best practice and audit recommendations.

21. The current contract terms are deemed fit for purpose given the other constraints for the time limited extension period. Accordingly regular operational and strategic reviews will continue, together with monthly performance monitoring.

**Statutory and Policy Implications**

22. 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**

23. Efforts to cover costs through income will be maximised as per the current contract model. No capital improvements are planned at the Turbine for the remainder of 2017/18 or 2018/19 so this will not impact any extension costs.

**RECOMMENDATION/S**

It is recommended that Policy Committee:

- 1) Approves the approach to extend the existing incumbent on the current contract Terms and Conditions for the period 31<sup>st</sup> March 2018-30<sup>th</sup> September 2018 and
- 2) Receives a further report following the completion of the review on the best delivery method for the centres.

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

**For any enquiries about this report please contact: Mandy Ramm, Economic Development Officer, 0115 9772685**

**Constitutional Comments (EP 08/12/2017)**

24. The recommendations fall within the remit of the Policy Committee by virtue of its terms of reference. Any contract entered into should be in a form approved by the Group Manager Legal, Democratic and Complaints Services.

**Financial Comments [RWK 06/12/2017]**

25. There are no specific financial implications arising directly from 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.

- Contract Award Notice, 1 March 2011
- Strategic Management Board 29th April 2014 Report on Draft Contract Performance 2013/14 Appendix 1: KPI Monitoring and Appendix 2 Financial Performance
- Strategic Management Board 22nd July 2015 Report on Draft Contract Performance 2014/15 Appendix 1: KPI Monitoring and Appendix 2 Financial Performance
- *Nottinghamshire Economic Insight – Issue 44 – Special Feature – available at: <http://site.nottinghamshire.gov.uk/EasysiteWeb/getresource.axd?assetid=352982&type=0&servicetype=1>*
- *Integrated Innovation Centre Contract: Performance Report – report to Economic Development Committee, published 26-06-2012*
- *Integrated Innovation Centre Contract: Performance Report – report to Economic Development Committee, published 11-06-2013*
- *Integrated Innovation Centre Contract: Performance Report 2013/14 – report to Economic Development Committee, published 03-06-2014*
- *Integrated Innovation Centre Contract Performance Report 2014/15 – report to Economic Development Committee, published 09-06-2015*
- *Integrated Innovation Centre Contract Performance Report 2015/16 – report to Economic Development Committee, published 07-06-2016*
- *Innovation Centres in Nottinghamshire – report to the City of Nottingham and Nottinghamshire Economic Prosperity Committee, published 23-09-2016*
- *Internal Audit Report*

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

- Newark West, Cllr Keith Girling
- Worksop North, Cllr Alan Rhodes
- Mansfield South, Cllrs Stephen Garner and Andy Sissons