

**PAPER NO.2**

**REPORT TO THE EXECUTIVE MEETING OF 23 January 2012**

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**Meeting:** Executive  
**Date:** 23 January 2012  
**Subject:** Harborough Innovation Centre (HIC)  
**Report of:** Interim Chief Executive : Anna Graves  
**Portfolio Holder:** Mike Rook : Business Portfolio

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1 Purpose of the Report

1.1 To update Members on the progress of establishing a HIC Strategy Board including Terms of Reference, and the agreed performance framework.

2 Recommendations:

2.1 **To note membership and Terms of Reference for the HIC Strategy Board.**

2.2 **To note progress and performance to date.**

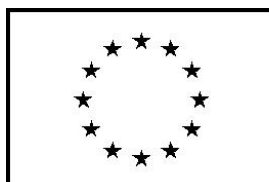
3 Summary of Reasons for the Recommendations

3.1 Purpose of the HIC Strategy Board is to monitor and manage the operation of Harborough Innovation Centre (HIC) in delivering its purpose and outputs. Fuller terms of reference are included in Appendix 1 and have been agreed by the HIC Strategy Board.

3.2 The Strategy Board will create quarterly performance reports that would be presented by the Chief Executive Officer to Harborough District Council who are the accountable body for the grant.

3.3 The membership of the Strategy Board formed part of HDC initial funding bid to EMDA. The group comprises of members from the funders (or funders successor body), HDC, Oxford Innovation (our delivery partners) and representatives from the local business. The business reps were selected through an application process in which they were asked to submit a CV for consideration. Suitable applicants were selected from the CVs submitted.

3.4 Membership of the Strategy Board now comprises :



**Project Part-Financed  
by the European Union**

**European Regional  
Development Fund**

<b>Voting Members</b>	
James Briggs	Harboro Rubber Company (Chairman)
Councillor John Everett	Harborough District Council (Vice Chairman)
Anna Graves	Harborough District Council
Carol Messenger	The Best Of Market Harborough
Simon Hobbs	Canard Design Ltd
<b>Non-Voting Members</b>	
Representatives of:	Oxford Innovation Ltd
Joanne Willett Rachel Panther	

3.5 The Performance Framework as shown in Appendix 2 includes the KPIs relating to the contract and grant targets and others required to ensure good running of the HIC. Additional indicators were agreed at the first HIC Strategy Board, and will be included going forward. These will include a business survival metric, targets for running events at the HIC and some “strategic Informers” such as quarterly profit targets/results plus the cumulative position, inward investment metrics and source of leads.

3.6 Whilst there was a significant delay in the opening of the centre initially, it is forecast that the year 1 occupancy target will be exceeded by December.

#### 4 Impact on Communities

4.1 The HIC provides support to new and growing local business and therefore supports the local economy through job creation and local supply chains.

#### 5 Key Facts

5.1 The HIC opened its doors on 9<sup>th</sup> June 2011 with the first businesses taking occupation of their offices in early August 2011. The centre provides 52 individual offices, along with eight studios and meeting rooms.

5.2 HIC has been funded by a combination of significant grants and the council’s own resources as follows:

<b>Funding Source</b>	<b>£</b>
The European Regional Development Fund (ERDF)	1,689,200
East Midlands Development Agency Single Programme	2,358,800
Harborough District Council	200,000
<b>Total</b>	<b>4,248,000</b>

In addition William Davis Ltd. as the private sector participant to the overall project created the required private sector investment of £1 million for additional adjoining complementary units which they directly own, manage and market.

- 5.3 The purpose of the HIC, as set out in the application for grant funding remains unchanged, and is to develop a supportive environment for innovation in small, medium enterprises, including the organisation, management and promotion of networks and industry groups within key sectors. The HIC provides opportunities for new and growing business to become established in the area.
- 5.4 The HIC is managed by Oxford Innovations Limited ("OI") on behalf of the Council. The arrangements for this are set out in a Management Agreement. Within this it sets out the requirements and scope for the performance monitoring and its report back to the Council.
- 5.5 A part of the requirement of the ERDF funding and ongoing monitoring and reporting, the Council is required to undertake and submit to CLG the following financial information :
- An annual review of the actual financial performance of the project against the initial assumptions;
  - On or before 31 May in each calendar year, provide the Agency (or Managing Authority following the closure of the Operational Programme) with a specific report on all operating revenues and operating costs generated by the project and a new residual asset valuation of the capital assets of the project at the end of the Reference Period,
  - To review the Funding Gap calculation.

The period for which the Council will need to submit the information is long term up to 2033.

Progress against the targets as set out in Appendix 1 will be reported through quarterly returns to CLG.

- 5.6 The Council's TEN performance system will include the performance framework for the HIC as outlined in Appendix 1 attached. This will enable all officers and members to have regular access to HIC performance information.
- 5.7 A relationship is being developed between the HIC Strategy Board Chairman and the Leicester and Leicestershire Enterprise Partnership (LLEP). The HIC is an asset for Harborough and the county and it is agreed that a business event in early 2012 will be held at the HIC to understand from local businesses what infrastructure projects are required to support business growth and survival. The opportunity to add the HIC to the Inward Investment portfolio within the LLEP was also discussed as a significant opportunity.

## 6 Legal Issues

- 6.1 The Management Agreement with OI is for 5 years, running from 1 April 2012 to 30 June 2016. At its meeting on 28 February 2011 Council delegated authority to award the management contact to the Chief Executive in consultation with the Portfolio Holder for Business and Enterprise. The terms of the agreement were approved by the Head of Legal Services prior to completion of the agreement.

6.2 HDC is the accountable body for the Grant. Whilst the HIC Strategy board has no legal authority, they are working on behalf and for HDC for the purposes of providing strategic direction and inputs and monitoring performances against the Deed of Grant and the Management Agreement with Oxford Innovation Ltd. Oxford Innovations are responsible for all expenditure for the HIC and have authority to sign on behalf of HDC.

## 7 Resource Issues

None directly arising for this report, other than that already agreed within the Deed of Grant, and officer time to support and input to the HIC strategy board.

## 8 Finance

8.1 HIC is a revenue generating project under Article 55 of EC Regulation 1083/2006. As such any net surplus revenues that it generates in excess of the net revenues set out in the original Funding-Gap Calculation the council may be required to pay back an element proportionate to the intervention rate applicable to the ERDF Grant. This is termed "the Clawback". The original Funding-Gap Calculation showed that the HIC would run at a deficit for 10 years before it started generating net revenue. Therefore, the Clawback will apply over the ten year reference period. After that any net revenue would accrue wholly to the Council. The decision to go ahead with the HIC was made taking this into account and an annualised deficit funding cost of around £30k was identified.

8.2 The business plan for the HIC shows a net revenue deficit over the two years 2011/12 and 2012/13 of around £243k following which it is anticipated to produce net revenues.

## 9 Equality Impact Assessment Implications/Outcomes

9.1 None arising from this report

## 10 Impact on the Organisation

10.1 The HIC is a high profile asset owned by the Council and its performance will reflect on the Council as its owner.

## 11. Risk Management Implications

11.1 A risk register has been drawn up that the Strategy Board will review at each meeting. The risks and associated management/mitigation plans and actions will cover the physical aspects of the building in terms of ensuring the continuing functionality and operation of the Centre and meeting economic and associated requirements of the ERDF grant.

## 12 Background Papers

12.1 None

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**Previous report(s): none**

**Information Issued Under Sensitive Issue Procedure: N**

**Ward Members Notified: not applicable**

**Appendices:**

**1. Terms of Reference for HIC Strategy Board : Agreed By Board on 2 December 2011**

**2. Draft HIC Performance Framework : 2 December 2011**

**Harborough Innovation Centre**  
**Strategy Board**  
**Terms of Reference**

**Purpose**

To monitor and manage the operation of Harborough Innovation Centre in delivering its purpose and outputs as set out in the:

- Deed of Grant between Harborough District Council and East Midlands Development Agency
- Management Agreement with Oxford Innovation Ltd.

**Terms of Reference**

- To oversee and monitor the performance of Oxford Innovation Limited the management operator for the Centre
- To monitor the performance of the Centre against the plan and targets
- To monitor the financial performance of the Centre
- To set and monitor the strategic direction for the Centre
- To agree and monitor the delivery of the Marketing Plan for the Centre

**Membership of the Board**

Voting Members

- Councillor John Everett, Elected Member of Harborough District Council
- Three representatives from the Business Sector
- Chief Executive of Harborough District Council

Non Voting Members

- Representatives of Oxford Innovation Ltd.

**Frequency of Meetings**

- Quarterly – June; September; December; March

**Quorum**

- 2 Business Sector representatives and Council representatives
- Substitutions will be allowed for Council representatives.

**Reporting Arrangements**

- The Strategy Board will submit quarterly reports to Harborough District Council's Executive Committee via the Chief Executive of the Council as HDC's Lead Officer representative on the Board.

**Secretariat Support**

- Oxford Innovation Limited, the Management Operator of the Centre will provide the secretariat and administration services to the Strategy Board.

**Draft HIC Performance Framework 2 Dec 2011**

			Current Year Result					
Performance Indicators	Target	Monitoring process	Q2 July-Sept	Q3 Oct-Dec	Q4 Jan-March	Year 1 Result	Performance v target	Variances and action Plan
<b>Key Performance Indicators</b>								
Occupancy (of net lettable area 18,003sqft)	24% occupancy by end of Year 1	Occupancy report	10%					
Av Square Foot Price	£22.50 during year one raising by 5% per year	P&L	£22					
Surplus/Profit	Break Even point reached during Year 3	P&L	- £62,014					
Conference Revenue	£21,600 in year 1	P&L	1463					
No. of jobs created (ERDF target)	2 new jobs created in Yr 1	HIC Monthly Marketing Report	>2					
No. of businesses created & new businesses attracted to the region (ERDF target)	1 new business created or attracted to the EM in Yr1	HIC Monthly Marketing Report	1					
No. of jobs created or safeguarded (SP Target)	1.2 jobs created or safeguarded in Yr1	HIC Monthly Marketing Report	>1.2					
No. of new businesses created & demonstrating growth after 12 months & businesses attracted to the EM region (SP target)	One business attracted to the district during year 1	Annual reporting	N/A					
<b>Other Performance Indicators</b>								

Graduation Of Tenant Businesses	One business graduating Yr4, rising to 3 in Yr6	HIC Monthly Marketing Report	0					N/A
Number of virtual customers	3 during Yr1	Occupancy report	0					
Customer Satisfaction Level - all customers	80%	Conference facility questionnaire & annual customer survey	annual report					N/A
Conversion rate - qualified enquiries to customers	30%	Prospect pipeline analysis - annual reporting	annual report					N/A
Customers using business support services	4 companies in Yr1	Monthly reporting	0					
Customer Satisfaction Level - business support	80%	Busines support questionnaire - annual reporting	annual report					N/A