



Subject:	Innovation Factory Year 2 Business Plan
Date:	8 March 2017
Reporting Officer:	Donal Durkan, Director of Development
Contact Officer:	Colin McCabrey, Economic Development Manager

Is this report restricted?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Is the decision eligible for Call-in?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

1.0	Purpose of Report
1.1	The purpose of this report is to update Members on performance of the Innovation Factory since opening at the end of September 2016 and to summarise Key Performance Indicators (KPIs) and areas of work for the coming financial year, as detailed in the Year 2 Business Plan for the Centre.
1.2	The Year 2 Business Plan, covering the period 1 April 2017 to end of March 2018, has been approved by the joint Project Board. This Board consists of senior-level Officer representation from both Oxford Innovation (the centre operator) and Belfast City Council. It has responsibility for the strategic oversight of the Innovation Factory, including both the capital and business support activities.
2.0	Recommendations
2.1	The Committee is asked to: <ul style="list-style-type: none">• Note the achievements of the Centre to date, as set out in Appendix 1; and• Endorse the Year 2 Business Plan for the period 1 April 2017 to 31 March 2018, as approved by the Project Board.

3.0	Main report
3.1	<p><u>About Innovation Factory</u></p> <p>Innovation Factory is located at Forthriver Business Park and offers Grade A-standard workspace for small businesses. The building is 55,000 sq. ft. in total; this includes 32,240 sq. ft. lettable space and 5,133 sq. ft. innovation space. It is the first development on the wider 14 acre business park site which was previously the site of James Mackie and Sons Engineering Works.</p>
3.2	<p>The Centre will accommodate 382 workstations across 111 business units when at full capacity. It will support at least 145 jobs by December 2018 and 187 by December 2020. It will provide support annually to over 100 businesses and create 5 collaborative networks. It will promote and encourage social and economic regeneration, encourage local and foreign direct investment and act as a catalyst for further development of Forthriver Business Park.</p>
3.3	<p>Belfast City Council accepted hand-over of the Centre from the contractor on 18th April 2016. It was completed two weeks ahead of the scheduled capital completion date and was on budget. Oxford Innovation Limited was appointed as the operator of the centre via a competitive dialogue procurement process. The Service Contract with Oxford Innovation came into effect on 1 June 2016. The contract is for an initial term of 5 years with the possibility of extension for a further three periods of three years subject to performance.</p>
3.4	<p>In accordance with the contract the performance of Oxford Innovation for the period to end of March 2017 will be formally assessed in April 2017. The contract contains a detailed methodology on how performance will be measured across a series of metrics including:</p> <ul style="list-style-type: none"> - Extent to which services have been delivered in accordance with the Year 1 Service Commencement Plan and Business Plan; - Revenue generated; - Financial outturn (net profit/loss); - Customer satisfaction across tenants and users of the support services; - Complaints; and - Compliance with the Council's requirements
3.5	<p>Summary performance indicators to date are detailed in Appendix 1 for Members' information. A final dashboard of performance at the end of the financial year will be tabled to a future meeting of Committee upon completion. Some of the key performance results</p>

to date are that the centre is at 11.1% occupancy supporting 46 jobs across 14 tenant businesses. The buy local policy adopted by the centre has generated 90% local supplier spend (£165,000 – excluding Oxford Innovation’s centralised contracts). In excess of 50 community and stakeholder groups have been engaged and centre tenants are actively contributing to community benefit. A recruitment company tenant has committed to delivering recruitment training to circa 160 unemployed persons. The Community Engagement Officer is actively building positive relationships with local schools. A very successful Christmas good will event was hosted at the centre, attended by 55 P2 children from Springfield Primary and St Clare’s Primary School, their parents and friends.

3.6

Year 2 Annual Service Plan

The Year 2 Annual Service Plan and Business Plan for the Centre is a comprehensive document, in line with the contract requirements. It covers a range of areas including:

- Business support, innovation and growth services on offer;
- Marketing Plan and Proposed Target Markets;
- Business tenancy products, services and commercial terms (including business coaching delivered by the in-house Innovation Director);
- Benchmarking and comparison with other Oxford Innovation managed centres;
- Financial model;
- Community Engagement, Social Regeneration and Good Relations Plans;
- Continuous Improvement Plans;
- Displacement Mitigation;
- Management and organisation structure;
- Staffing (including placements);
- Facilities Management; and
- Summary of key policies.

3.7

An Innovation Director located at the centre full-time provides tenants with coaching to accelerate business growth and innovation. Alongside the Innovation Director a team of specialist business consultants offer a tailored menu of support including 1:1 coaching, business diagnostics, programmes and support. The workspace products available at Innovation Factory include:

- Dedicated business space
- Dedicated desks in shared offices
- Hot-desks in co-working areas

	<ul style="list-style-type: none"> - Virtual office services - Membership - Conference, meeting and business lounge facilities - Café - Additional call and data packages.
3.8	<p>The Year 2 forecast occupancy is in line with Oxford Innovation’s original projection, forecast at 24% (7,749 sq ft). This is projected to increase to 43% in year 3; 76% in year 4 and 85% in year 5. 85% is defined as full occupancy to allow for churn and growth of tenants within the centre. The centre is forecast to come into annual profit in year 4 and cumulative operating profit in year 5.</p>
3.9	<p>The Year 2 business plan has been prepared in accordance with the financial model submitted as part of the original tender submission for the management of the centre. These projections were taken account of in the Economic Development revenue estimates for the 2017/18 financial year.</p>
3.10	<p>The Innovation Factory will continue to target high growth and innovative start-ups and SMEs in the coming year. The existing tenant sector mix is as follows:</p> <ul style="list-style-type: none"> - Digital Services – 35% - Financial Services – 15% - R&D / Technology – 15% - Business Services – 15% - Insurance – 7% - Recruitment Services – 7% - Social Regeneration/Community focused business – 7%.
3.11	<p>The jobs located at the Centre are forecast to grow from the current 46 to 107 by April 2018. In the course of the coming financial year, key activities will include:</p> <ul style="list-style-type: none"> - Engagement with 115 businesses through first-time unique interventions (both tenant and non-tenant businesses) - 486 follow-on/repeat sessions with existing clients and users. The range of support is described as Growth Services or Innovation Services. It includes growth planning and strategic mentoring of clients and tenants, masterclass programmes with separate 1:1 mentoring, an open innovation event, support aimed at developing collaborations between tenants and users, a developer innovation programme and

a range of collaborative services in partnership with stakeholders such as Council, Invest NI and Techstart

- Targeted activities to attract FDI to the centre through the development of a 'plug and play' option and a price structure based on an all-inclusive cost per workstation model. Officers have been proactively engaging with Invest NI on an attractive proposition at Innovation Factory which can compete with other cities to attract FDI to the benefit of Innovation Factory tenants and the local community.

3.12

In addition to the economic focus of the Centre, social regeneration is a key element of the work programme at the Innovation Factory. This is about much more than just a stand-alone work stream: tenant businesses are encouraged to get involved by providing work placements and pro-bono support to local groups; there is a "Buy Local" policy to encourage the engagement of local businesses and there is an extensive programme of engagement with local schools and community organisations. The Innovation Factory will continue to utilise a proactive and inclusive engagement approach to inform and develop partnerships with organisations, forums, groups and individuals who are key to meeting the social regeneration objectives of the centre. Implementation of Innovation Factory's Social Integration and Community Engagement Plan (2017 – 2018) is built upon six key priorities highlighted below:

- Priority 1: To encourage positive local engagement aligned to the ethos of the Innovation Factory that can extend its core services to include under-represented groups. This includes opportunities to sponsor local initiatives, summer innovation bootcamps for young people and meet the buyer-events;
- Priority 2: To assist and support local businesses to tap into supply chain 'spin-off' opportunities arising from the operation of the Innovation Factory. To date, 90% of expenditure has been incurred locally (excluding centralised OI services such as IT etc.);
- Priority 3: To facilitate skills development, work placements and permanent employment opportunities for long-term unemployed / economically inactive people living within the local community. This activity will compliment City Council employability and skills initiatives, including Belfast Works. Under this priority it is worth noting the intent of Oxford Innovation to position the café within the centre as a "learning café". This means that there will be opportunities for work placements and traineeships. In addition, it forecasts a further 4 x 24 week placements within the centre in 2017/18, working with tenants to secure further placements and delivery of a pre-employment programme and local skills academy;

	<ul style="list-style-type: none"> - Priority 4: To provide school children from the Springfield Road, Shankill area and surrounding locality with first hand exposure to innovation and entrepreneurship with the aim of inspiring the next generation; - Priority 5: To engage actively with the local community to show-case operations including promotion of social enterprise activity and corporate social responsibility. This involves delivering a social community improvement activity that can utilise the skill-base of IF tenants for community benefit and well-being; and - Priority 6: To actively target, exploit and monitor potential sources of external support funding / other opportunities related to social regeneration. <p>3.13 Similarly to 2016/17, a detailed Social Integration and Community Engagement Plan Action Plan will be developed. This will be informed by the wider community engagement activity and will be widely promoted.</p> <p>3.14 <u>Finance and Resource Considerations</u> The Year 2 Business Plan for Innovation Factory has been prepared within the financial parameters detailed in the Financial Model submitted as part of Oxford Innovation’s tender for the operation of the centre. The Financial Model is still accurate as income and expenditure aligned with occupancy and usage is consistent with the original submission. The Council budget for IF Year 2 is included within the 17/18 Economic Development Unit estimates.</p> <p>3.15 <u>Equality & Good Relations Implications</u> The Innovation Factory Project has been successfully equality screened and the Social Regeneration Activities detailed within the Year 2 Annual Service plan will further develop equality and good relations impacts of the centre.</p>
4.0	Appendices – Documents Attached
	Appendix 1 - Performance dashboard of Innovation Factory October 2016 to current (still subject to formal performance review in April 2017).