



Opportunity Peterborough

FUTURE VISION 2016-2019

Supporting business. Growing our economy.

To achieve this, OP engages the power and city ambition of the public sector with the entrepreneurial spirit and vision of the private sector. By blending both perspectives, and with a track record of delivering transformational interventions, OP has built a reputational credibility which is its major tradeable asset.

1. Executive Summary

[1.1] Over its 10 years, OP has evolved from a heavy reliance on public sector funding for its existence to a reliance, or expectation, on the company securing alternative income streams. This has often been referred to as the ‘commercialisation’ of OP, without, perhaps, a clear understanding of what it is selling and to whom.

Over the last two years, this has evolved into a balancing between core PCC funding, sold services, and additional grant funding that augments core costs through contributions to overheads. It is highly likely that this ‘cocktail’ approach will need to continue if OP is to be sustainable. It does, however, tend to lead to a lack of clarity in forecasting and budgeting as many of these funds may be, appropriately, opportunistic. This in turn, makes it difficult for Board members to have certainty and security over the company being a going concern.

‘Chasing grant funding’ can also create challenges around the focus for the company and distraction from its core remit of driving economic development; for example, straying too far into environmental sustainability *per se*. Clarity of project selection will need to continue to tighten.

[1.2] This paper outlines the journey OP has taken but more crucially tries to refocus the company’s activities, putting ‘economic development’ firmly at its heart and centre, with additional activities feeding into that agenda. This has the benefit of better aligning activities, but equally importantly, in ensuring that activities are selected on their ability to support and drive that primary focus.

The paper also, and fundamentally, tackles the hardy perennial challenge around OP’s identity as a public or private body by embracing both aspects and utilising strengths in both areas. It identifies routes to viability and sustainability by providing services to the public sector while exploring a range of other funding and commercial opportunities, and restructures the team around that model.

Contracts are already in place with Fenland DC; going forward, however, there will be greater scale of economy and delivery optimisation, for both OP and LA clients, if a ‘pooled’ funding model is adopted over a wider geography. The current devolution debate is timely, and the support of LA partners and OP Board members in developing this opportunity is vital. This is the vision: **to maximise OP’s position with both the public and private sectors to sustain our future.**

[1.3] OP’s greatest strengths are the skills base of its staff, and the credibility that it has generated within the city, with local partners, nationally and internationally. That reputational and skills asset base is what will appeal to potential funders and commissioners, and as has been mentioned at OP Board meetings previously, its primary customer is likely to be the public sector (although engagement focus and additional funding will continue to be directed towards the private sector).

This will **not** obviate the need to continue to pursue other contracts, and maintain the augmented funding model through grants and margins generated. That ‘cocktail’ will be crucial in de-risking the business, but OP has demonstrated the agility to make that fluid environment work.

2. Background

[2.1] OP was established to act as a bridge between the public and private sectors; initially on the agenda of physical regeneration, in its latter phase to drive economic growth through its engagement with the business community. Although primarily funded by public sector members, it has consistently sought funding for specific projects, and over time has used additional external funding to augment its core running costs. In turn, there has been a drive to ‘commercialise’ OP’s services; recognising that one of its major assets – the skills of its staff – could be sold out to other parties.

The reality is that in selling the services of those staff, those staff might no longer be delivering the company’s core remit of economic development and growth (unless the commissioned services and that remit aligned). It has been on this principle that OP over the last 2 years has adopted a model based on three principles: grant from its member; augmenting income through funded projects and surplus/ contributions to overheads; direct sale of services, or other commercial agreements.

[2.2] The chart below provides a broad perspective on the broad direction of travel in breakdown of funding. Although turnover has gone above £1M in some years, for ease of comparison, a consistent turnover figure of £1M has been adopted throughout.

Figure 1: Comparative breakdown of funding – actual and future year projections

A review of past funding demonstrates how in early years it was relatively easy to stick to a clear agenda – that designated by the company’s members. Originally this focused on physical growth and regeneration projects (Cathedral Square; viability assessments and masterplanning; growth planning); latterly driving economic growth (business support, inward investment, marketing, skills). As alternative external funding was explored and exploited, there were occasions when the demands of those funded projects may have been considered less aligned to OP’s core remit. Those demands will also apply, and potentially even more so, when considering commercial contracts.

[2.3] It is not to say that funding and contracts should not be explored, but to reaffirm that these ideally need to meet both the core remit of the company, and provide significant contributions to overheads and potentially secure long-term sustainability of OP.

3. FUTURE VISION 2016-19

[3.1] The rise in ‘public funding’ between 2016 and 2019 in figure 1 may at first sight be surprising given the accepted move towards ‘commercialisation’, but this is the aspect of the vision that drives greater business stability.

The plan for 2016 is that OP explores bi-lateral arrangements with other authorities – essentially selling services under contract. The contract with Fenland is already in place and further discussions are in hand. Other contract work is also planned over the forthcoming financial year. These contracts are welcome, but are relatively resource-heavy as each needs to be negotiated separately, differing expectations managed, and timings may not align.

[3.2] The ideal scenario going forward would be to see authorities ‘signing up’ as a group and effectively pooling resources to secure economic growth support delivery on the ground in a common and shared economic geography. This would not only provide an appropriate scale of delivery for the commissioning partners, and a de-risking, but would also provide OP with an economy of scale of funding for it to operate more effectively.

It is clear from talking with partners that ultimately there may be the potential for this single approach to economic development, but at this stage, the bi-lateral contract route is preferred (taking into account issues around identity, devolution, emerging trust etc). If OP is to secure the longer term goal, however, it needs to demonstrate effectiveness during these contracts; and as such resourcing of the team to deliver, and to deliver well, is essential (see below).

This approach makes the most of OP’s position and credibility as a deliverer of the on-the-ground practical interventions. It is not establishing the company in competition with other organisations, such as respective LEAs, which should take a higher level strategic funder and commissioner role. OP has demonstrated creativity and results in its approaches to economic development, but as with any business, we still need to build trust with our prospective partners (hence the need for satisfactory resourcing).

Pooling funding across a wider, but shared, economic geography will also provide more solidity and certainty to OP’s core; aiding directors’ abilities to attain certainty over financial stability.

[3.3] It must be stressed that the model over the next few years is **not** aiming to swing entirely back to full public sector funding. OP will continue to exploit commercial opportunities as well as further funding. This model, with a balance between the areas of potential income, means that OP becomes less reliant on the small margins generated by projects. Clearly turnover overall may increase if further grants are secured, but as at currently, the majority of project funds revolve around direct employment costs of staff to deliver the projects rather than contributions to core costs.

4. Resourcing

[4.1] Current forecasting for finances 2016/17 has shown a balanced budget if reserves are heavily utilised to cover core costs. However, if we are truly going to exploit the public sector enquiries coming forward, we need to have sufficient resource to meet those requests; if we fail, not only could contracts be terminated or not renewed, but the prospect of a pooled funding model (outlined above) will undoubtedly be lost.

[4.2] To meet this greater demand and to structure OP appropriately so that it can function effectively, two steps around resourcing and structure are proposed:

- Restructuring of the company away from multiple silos around project areas, to major thematic areas reflecting the public – private nature of OP’s very being (see below).
- Recruitment to the main Economic Development Team, of initially 1 additional person, with a primary, albeit not single, focus on Inward Investment.

In effect, this is investment to enable the growth potential to be realised. The recommendation is not to seek additional funding from PCC but to invest existing funds to generate the contracts which will provide future security and viability.

[4.3] Over the last 2 years, the OP executive has slashed back operational costs and consistently driven efficiencies through the business (restructuring; outsourcing; basic business management costs etc). It has taken a consistently entrepreneurial approach to funding and contract negotiations, forming key strategic partnerships to generate new income streams (Cranfield, BSI, LAs etc). The executive is consistently reviewing its operational practices, and while some savings may be realised from streamlining accounting processes and minor restructuring undertaken, there are very few further saving that can be made, and the existing resource capacity is fully stretched.

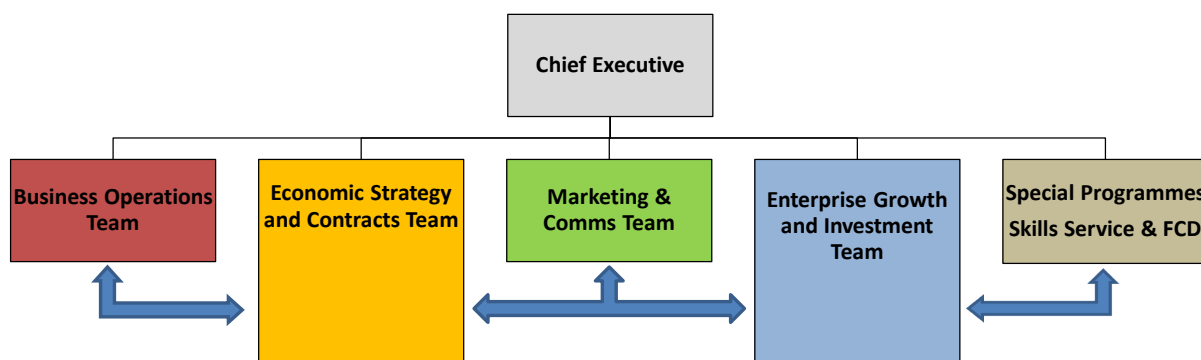
5. Structure

[5.1] The foundation of the proposed structure is ‘activity based’ rather than line manager/hierarchy based. It aligns specific activities within the company, whilst reflecting the core nature of the company with economic development at its heart. An overview of the proposed organisational restructuring is shown at figure 2 below.

The principle of this organisational structure makes sense as to where OP sees its vision in the years ahead. It provides both flexibility in responding to partners’ needs, but aligns more closely the relative functional areas and their interactions. It does, however, contain a very slight increase to core costs linked to increased responsibilities for staff; without it, and the additional resource into the ED area of activity, however, it will be impossible to service the additional contract work.

[5.2] Its success will also be reliant on exceptional interaction between staff. At the moment, however, the strict hierarchical approach is not working well and a more fluid ‘activity’ focused approach may produce greater collaboration.

Figure 2: Organisational Structure



6. Functions

[6.1] The new structure has ‘economic development’ placed at the heart of the company, with the relevant teams having clear and distinct areas of focus, but interacting more effectively to deliver projects and activities. So the Economic Strategy and Partnerships Team will be focused on strategic level activity and engagement with public sector and grant funding opportunities. While the Enterprise and Growth Team will be very much more private sector focused. These are degrees of emphasis not exclusivity, and the model will be dependent on strong collaboration and flexibility between the teams.

[6.2] In turn, the Marketing Team will be supportive of both areas; continuing to lead on bondholder engagement but also underpinning some of the strategic collateral required by the Economic Strategy team. The structure shows an alignment between the Business Operations team more closely to the Economic Strategy team to ensure solid programme management, performance and financial management; while the special programmes, such as Skills interaction will have to engage effectively and proactively with both areas, but will continue to be more external business focused.

7. Finance

[7.1] At this stage longer term financing can only be speculated (dependent on service levels, nature of expectations and outputs), but this will be a blend of grant, contract and commercial revenue generation .

[7.2] It should also be noted that if other parties are likely to contribute on a pooled rather than contracted services model, there may be expectations around those partners having an influence on OP itself and its governance, but these are at early stages at the moment.

8. Credibility

[8.1] This paper has identified OP’s ‘credibility’ as a USP for trading activity. The following table provides an overview of some of the areas that demonstrate perceptions of OP’s position and credibility:

Table 2 Credibility Demonstrator

Activity	Live Yes/No	Notes
Fenland DC	Yes	In place
Bid to Foreign Office	Yes	Bid submitted with BSI
EU Environmental management in business	No	Far too high business & cashflow risk – declined
Project Management Werrington Brook	No	Too far from core remit & low margins (support through Future Cities work
Alternative EU bids	Yes	Bids submitted
‘Smart Citizenship’	Yes	Positive engagement with EU. Project accepted for UKTI pitchbook – OP lead

		partner.
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9. Risks

[9.1] This is not intended to be a full risk register for all of OP's operations but merely to examine some of the risks that might be generated if the above approach does or does not go to plan.

Table 3 Proposal Risk Register

RISK	LIKELIHOOD (/5)	IMPACT (/5)	SCORE (L X I)	MITIGATION
OP fails to deliver expected service to contracted LAs and loses contracts	2	5	10	Proper levels of core resourcing are essential for delivery. Likelihood increases exponentially if this is not in place.
OP fails to attract other LAs to participate on pooled model	2	3	6	Credibility is paramount to secure this but if not forthcoming resourcing will be modelled to meet existing contracts.
All partner LAs wish to contract rather than pool resources	2	4	8	This would be resource-heavy and would be mitigated only by additional staff.
Competitive ED providers are contracted by commissioning LAs	2	5	10	Again, credibility is vital for this. A perspective on OP's standing might be provided by imminent competitive tenders.
OP fails to secure / maintain additional project funding which augments core costs	2	4	8	Vital that OP continues to explore complementary funding schemes.

10. Plan B

What happens if there is insufficient funding through public sector engagement and/or pooling to provide a more stable core funding pot?

[10.1] Effectively the re-structured model still works. It provides greater clarity and alignment of interactions. OP would, however, need to continue to operate on a more opportunistic basis: identifying new funding routes to secure support to the remit of the company as well as contributions to margins; developing and satisfying leads for contract work.

[10.2] The other element that would remain the same in any scenario is the continued push to greater efficiencies and effectiveness in the business operations of the company. Measures are being explored to rationalise further the company's accounting systems and this review, with

recommendations, will be complete by end-February 2016; setting the company up well for the new financial year.

11. Conclusion

[11.1] OP's has delivered new investment, job creation, skills enhancement and external city profile transformation. However, OP's security and sustainability has been under the spotlight for many years: financially and politically. The commitment from its single member, PCC, has been stated and is clear. That, in turn, is creating confidence among local partners. The reality of the public purse, however, means that different routes need to be found to finance the company to a degree where it can deliver on its remit – without distracting from that core remit.

OP has, and always will be, private sector facing: enabling the business growth that makes the economy of the local area prosper, helping people into work and encouraging the flow of economic activity (local spend, business rates etc). It has, however, always occupied that space, uniquely perhaps, between the public and private sector, and should celebrate and maximise that, as an opportunity, rather than be apologetic for it, in either direction.

[11.2] Excluded from this paper are the specialist projects and programmes that OP has developed over the last few years (Skills Service, Smart City activity, Water Innovation Network etc). Each of these underpins economic growth in their own way, as well as contributing to core costs, to greater or lesser degrees.

This wealth of activities, contacts and engagements that OP has – with private business, academia, government agencies – is exceptional. It provides OP with the ability to do things differently, through creative optimisation of opportunities, and a unique selling proposition that it can offer to a wide range of partners, in public, private and third sectors.

[11.3] During this period, the company should also review its other partnerships and explore where greater collaboration, on a mutually beneficial basis, could also assist in the financial stability that is so vital.

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