

A new University for Peterborough

Full Business Case

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Executive summary

Strategic Case

Peterborough is a recognised cold spot for Higher Education. To address this, Cambridgeshire and Peterborough Combined Authority (CPCA) and Peterborough City Council (PCC) are committed to securing a new higher education provider for the City in readiness for the Academic Year 2022/23 with the aim that it will become a university, subject to regulatory approvals, by 2032 ("the new University").

This Full Business Case is concerned only with the phase 1 development of the new University:

1. Development of a phase 1 university building on the Embankment site in Peterborough, which will be leased to and occupied by the new University.
2. Procurement of an Academic Delivery Partner (ADP) to provide the skills, knowledge, experience and resources to establish the new University.

The intention is for the new University to be fast-growing between 2020 and 2028 (supported by subsequent phases of infrastructure development), at which point there will be an independent review to evaluate the benefits and feasibility of the University becoming independent from the ADP.

Beyond this project, CPCA is seeking further funding in the form of accelerated and expanded access to the national £387m 2021/22 Local Growth Fund allocation to ensure that the improvement in higher-level skills and knowledge capacity the new University will bring is accompanied by the necessary parallel stimulation and supply of higher value jobs to provide opportunities for the increased number of higher-level skilled people. This will include investment in subsequent phases of the new University to support the development of an innovation eco-system in the region.

The strategic policy framework within which CPCA works and the rationale for the University for Peterborough project flows from the Cambridgeshire and Peterborough Independent Economic Review and related documentation including in the CPCA skills strategy and Local Industrial Strategy. The project supports national policy as expressed in the review of Higher Technical Education and the Government's Industrial Strategy and is consistent with the primary recommendations in the Augar Review of Post-18 Education funding.

A new University will make a substantial positive economic impact in Peterborough and the wider sub-region, enabling the region and the UK to compete in an ever more dynamic global economy through innovation and creating knowledge-intensive businesses. It will deliver significant cultural and social benefits. It is a Mayoral priority within CPCA's Business Plan and a key intervention within the Local Industrial Strategy and Skills Strategy, to address the current disconnect between work and qualifications. Expanded HE provision will be an essential component in realising ambitions to: establish the foundations for raising aspirations and attainment; support business skills needs; improve productivity; stimulate structural economic change; and enhance well-being.

The top-line objectives for the new University are:

- Accelerating economic growth in the local economy.
- Increasing productivity by job-ready degrees that support the local economy.
- Increasing GVA through meeting business, student and employer aspirational needs.
- Creating an effective progression route for technical learning.
- Re-skilling and up-skilling the workforce to meet technical skills market needs.

Peterborough and the wider region are under-served by current providers and there is a net-outflow of students from the East of England. Current HE provision consists of Peterborough Regional College (around 500 qualifications per annum) and Anglia Ruskin University (bespoke provision of around 400 qualifications per annum). There is no HE provision in Fenland or North Huntingdonshire, largely due to their dispersed rural character and poor transport networks.

Addressing provision to under-represented and under-employed groups will be critical in meeting local labour market demand and provides an uncontested HE market space (unemployment rates in the sub-region are higher than the national average, the local population has grown at a faster rate than the national average and a lower proportion of 18-24-year olds are in full-time education).

The University, therefore, has the opportunity to provide a unique offer to serve the cold spot, attract under-represented groups and redress the imbalance with the rest of the CPCA region.

Various efforts over the last 20 years to produce a commercially viable HE provision of sufficient scale and quality have failed and a different approach is required. The intention of the new University is to address the cold spot through an increase in the number of HE entrants from the sub-region by attracting and retaining students locally, in particular people who do not currently participate in HE but who would participate and remain locally if suitable provision was available. Based on the CPIER and related analyses it is clear that the first tier of University strategy must be to craft a sustainable portfolio of taught courses that addresses the characteristics of the cold spot before building research expertise.

CPCA is determined to make these investments, to encourage others to make such investments and to bring the positive benefits of HE to the people of the sub-region. This will not only address the labour market needs of the sub-region, it will give the area an opportunity to reinvent its economy; raising aspirations locally and supporting business skills needs.

The main benefits of the new University stem from establishing a Phase 1 University Campus in Peterborough, for 2,000 students by September 2022 and include:

1. 10,000 new learners assisted (Levels 5 and 6 over five years).
2. 50 temporary construction jobs, 33 university jobs initially (rising to 199), 66 initial supply chain jobs (rising to 398), 14,000 indirect jobs and 5,060 apprenticeships over 3 years.

Economic Case

Four options have been identified for consideration in the economic case as follows:

1. **Business as Usual:** continuation of the current local provision described above.
2. **Do Minimum:** investment in capability building of Peterborough Regional College to achieve Taught Degree Awarding Powers (and perhaps University Title for the current University Centre Peterborough in due course).
3. **Recommended Option:** investment to tackle the characteristics of the addressable component of the current market failures in HE provision in Peterborough, targeted at infrastructure provision and capacity building.
4. **Do Maximum:** investment scaled to found, *ab initio*, a new University on a model similar to those founded in the 1960s (the so-called Robbins Institutions).

Do Maximum can be ruled out on the grounds it is unaffordable and unachievable within the constraints of the project. Quantitative economic appraisals of the remaining three options show that the recommended option has by far the highest Benefit Cost Ratio (16, compared with 3 for the

Do minimum option and zero for the Business as Usual). When coupled with the qualitative analysis of each option against the project objectives, this confirms the recommended option as the preferred option and this conclusion easily survives sensitivity testing of assumptions on the scale of the costs and benefits of the recommended option

Commercial Case

This is a complex project that requires careful sequencing and coordination if the objectives are to be met. The ADP's curriculum model has informed the designs for the phase 1 building development.

CPCA, PCC and the proposed ADP will form a special purpose vehicle (PropCo) to build the new campus on the Embankment site within the terms of a suite of transactional agreements.

Procurement of the infrastructure will involve selection of a Main Contractor to deliver the physical capital works via a Design & Build procurement route utilising a competitive tender and an industry standard form of contract (JCT). There is a wealth of potential main contractors and subcontractors who operate in the region and therefore interest in this scheme is expected to be high, which will typically result in competitive pricing.

The property will be leased to a new special purpose vehicle (UniCo) established as a wholly owned subsidiary of the ADP. The ADP will provide the skills, knowledge, experience and resources to make a practical reality of UniCo as the new higher education provider and ultimately with its own degree awarding powers and subsequently university title.

Following a comprehensive procurement process an Academic Delivery Partner has been selected as the ADP for the project and Heads of Terms have been agreed to form the basis of the legal documentation to be entered into between the ADP, CPCA and PCC for delivery of the project.. The ownership structure of the new University will reflect the commitment of resources by CPCA, PCC and the ADP.

The deal will be documented through a suite of transactional agreements to be signed by all parties by the end of August 2020 and a CPCA Service Agreement will also be in place from August 2020 to give authority for CPCA and its agent to act on behalf of PropCo in the design, procurement and delivery of phase 1 of the new University.

Signing of the main contract between PropCo and the Main Contractor for construction is scheduled for January 2021. T

Financial Case

The agreed budget of £30.47m the phase 1 capital build will be funded as follows:

Funding Source	Amount (£)
CPCA Capital Investment	12,300,000
LGF Investment Funding	12,500,000
Land contribution by PCC	1,870,000
ADP Capital Investment (anticipated)	3,800,000
Total Funding (Phase 1 only)	30,470,000

A key project objective is to create a sustainable operating model for the University such that, after initial start-up costs, it will operate on a self-sufficient basis. The outputs from the financial model show that the new University breaks even from 2022/23, generating a marginal surplus each year,

although sensitivity testing indicates that the operating model is vulnerable to almost any level of reduction in income. Initial start-up costs are anticipated to exceed the available budget and the ADP will meet the full costs of working capital to cover this anticipated as £5.4m deficit through a loan to the new University. The model shows that the key financial risks for the ADP and its ability to fully establish the University are:

- The need to recruit at least the student numbers anticipated by the model and maintain target per student fee levels to generate sufficient income (particularly in the light of the impacts of Covid-19).
- Potential increased costs, particularly for asset maintenance.
- Securing start-up funding

The potential mitigations for these risks include contingency provision throughout the ten year period, as well as a suite of measure to control costs and/or increase incomes. Subject to these considerations it is anticipated that funds will be available to meet both the project budget and the requirements of new University operating model.

The LGF investment requires repayment by 2028. *The LGF investment was approved by the Business Board and Combined Authority Board on the proposed repayment by 2028 in the original LGF application, which stated that there would be an option in 2025 or 2028 to review the grant investment repayment in light of its agreed outputs and outcomes. The CPCA proposes that this will only be done after consultation around best value options and market interest for disposing of the shares in the PropCo either to the ADP or a third party in accordance with the terms agreed in the shareholders' agreement.*

Management Case

The project has a number of stakeholders including: planning consultees; neighbours; Members of Parliament; and PCC and CPCA. These key internal and external stakeholders will be managed under a strategy agreed between PCC and CPCA, outlined in the established communications strategy.

The project is led by CPCA in partnership with PCC who have agreed Heads of Terms for operation of the University with the ADP. CPCA will provide funding to support development of the university campus (which will be owned by PropCo and leased to the new University) through existing capital monies and grants. PCC is working with CPCA to support the delivery and in particular is providing the land for phase one.

CPCA and PCC have put in place the resources needed to manage the work streams required to deliver the project, based on an understanding of the shared goals (set out in the Subscription Agreement which shall be superseded by the shareholders' agreement). CPCA have appointed external consultants to ensure the necessary capacity and capability is available for successful implementation of the project.

Responsibility for the project will be mandated to the Transition Board and Project Management Board until the full suite of legal agreements are entered into. Thereafter responsibility will sit with PropCo who will enter into a Services Agreement with CPCA to manage the delivery of the scheme. The strategy, framework and plan for dealing with change will be embedded within the legal agreements.

The project plan has been developed around the following key dates: spade in the ground (commencement of phase one) Q4 2020; and completion of phase 1 (for occupation) September 2022. To achieve these milestones there are two key work streams: procure the ADP (substantially

complete); and develop, design and procure a Main Contractor to deliver phase 1 infrastructure (design has reached Stage 2 and a short-list of prospective contractors has been agreed).

Responsibility for benefits realisation will sit with PropCo and the new University and a roadmap of milestones and steps towards them has been agreed by CPCA, PCC and the ADP in the Heads of Terms.

A detailed project risk register (including control strategies) has been developed based on the following risk categories: surveys and site constraints; commercial; design; legal; procurement; operational; and governance. The project team holds quarterly risk workshops and the risk register is currently reviewed monthly at the Project Management Board. Project assurance will be the responsibility of PropCo and new University for the building and HE operations respectively.

The project will adopt the BSRIA Soft Landings framework and follow the five Stages of the Soft Landings process. Stage 1: Inception and Briefing, Stage 2: Design Development is predicated on Stage one; while Stage 3: Pre-handover requires follow-through with Stage 4: Initial Aftercare. This will help solve any performance gap between design intentions and operational outcomes; the scope will be finalised and agreed with the ADP (as tenant) and the main contractor from September 2020.

Covid-19 impacts and opportunities

A wealth of established and emerging evidence predicts that as a result of the Covid-19 crisis Peterborough and the Fens, will be one of the hardest hit economies in the UK. This is partly due to education deprivation and partly due to the region's low-tech industrial base; factors that combine to increase risks of the region also being one of the slowest to recover.

Therefore, a more inclusive recovery and regrowth strategy is needed for region's economy; one which increases higher value, more knowledge intense and more productive growth and shifts the spatial distribution of economic growth and to support an increase in innovation-based business growth across the whole CPCA economy. This will be more important than ever in the recovery following the Covid-19 crisis.

In common with a number of cities in the UK, the establishment of a university and associated innovation eco-system could produce the knowledge engine to drive these changes and ensure Peterborough is not one of the "left-behind" towns following the Covid-19 crisis.

Following the impact of Covid-19, the ADP set up of a Covid-19 task force (and made an immediate move to online delivery. Its business model is less exposed to the potential impacts of Covid-19 than other HEIs for a variety of reasons including pre-existing blended delivery, lower reliance on international students, low buildings overheads, low gearing and a broad curriculum offer that is likely to be more resilient to the impacts of Covid-19. The ADP has already started the first phase of work on development of the portfolio of courses for the new University in Peterborough and their suitability post Covid-19, including engagement with key stakeholders.

Local demographics indicate HE is about to enter a period of growth in the market, not least due to the latent demand in the "cold spot" identified in the strategic case. It will particularly target:

- First generation HE students of all ages.
- People who are unemployed, retraining or upskilling (esp. post Covid-19)
- Large Corporates and bespoke apprenticeship programmes.

The ADP also has a strong track record in Degree Apprenticeships, built on a reputation for vocational based HE provision (The ADP is the largest provider of Degree Apprenticeships in the UK

and a thought leader in their development); a brand that will be further carried into Peterborough. They are undertaking a wide range of preparatory activities to develop the new University of Peterborough offer taking full account of the impacts of (and opportunities presented by) Covid-19 as they become clearer.

Extensive planning is underway and measures are already being implemented to ensure safe social distancing on campuses for as long as is required. The ADP will manage Covid-19 risks (the primary risk being lower than forecast student numbers) in a variety of ways including:

- Only recruiting staff as needed, including limiting senior staff costs.
- Flexible deployment of resources and management of costs.
- Using market intelligence to decide which courses to continue to develop.
- Careful planning of future building phases.
- Sharing costs across the business to create economies of scale.
- Prudent use of the contingency budget.

Recessional impacts may also drive students to study degrees that are sector specific via Degree Apprenticeships and higher-level degrees in companies that lead to jobs as an outcome. The ADP intend this to be a key feature of the new University of Peterborough offer. The ADP have drawn on previous experience of recessional impacts to develop contingency plans and are planning the new University of Peterborough offer based on this experience and engagement with local stakeholders.

There are potential positive potential impacts on student numbers, resulting from the forecast job losses over the coming months and high levels of unemployment medium term, as young people and older re-trainers look to move into university to avoid the peak period of unemployment. The vocational, practice-based nature of the ADP's proposed curriculum is designed to be attractive to adult learners seeking to upskill, re-train or join HE and to fill local skills gaps.

A key potential impact of Covid-19 is that it might make young people who live locally, more likely to study nearer to home; new University of Peterborough is designed to fill the gap identified through the "cold spot" and will, therefore, enable more students in the region to study from home should they wish to do so.

The ADP is committed to develop new local, regional and national industrial partnerships targeting companies or organisations within the areas of its proposed curriculum. These partnerships will match the ADP's key strengths to make new University of Peterborough sustainable in the medium and long term.

1 Strategic Case

1.1 Introduction

Peterborough has been recognised for many years as a cold spot for Higher Education. Cambridgeshire and Peterborough Combined Authority (CPCA), working with Peterborough City Council (PCC), is committed to securing a new higher education provider for the City in readiness for the Academic Year 2022/23. The project is defined as follows:

“The University of Peterborough will be a high-quality employment-focused University for the city and region. It will acquire an international reputation for innovative technological approaches to face to face learning and in applied technology and science. It will be characterised by outstanding student satisfaction and response to local needs. The curriculum will be led by student and employer demand as well as developing opportunities in the technological, scientific and business areas. Its buildings will be architecturally leading, flexible and environmentally friendly. The curriculum, academic community and buildings will reflect a desire to be the greenest university possible”.

This document provides the Full Business Case for Phase 1 of the proposed approach to secure a viable, new University for Peterborough. Phase 1 comprises:

1. Development of the first university building on the Embankment site in Peterborough.
2. Enter into a joint venture and property/finance transfer to The Peterborough HE Property Company (Prop Co) with PCC and the Academic Delivery Partner (ADP)
3. Contracting with the preferred ADP to establish the University and provide the skills, knowledge, experience and resources to make a practical reality of the new higher education provision.
4. Procure a main contractor to deliver the phase 1 University building for opening September 2022.

The intention is for the new University to be fast-growing between 2020 and 2032 (supported by further infrastructure development phases). A review undertaken by the Academic Delivery Partner (ADP) and CPCA expected to take place in 2028 will evaluate the benefits and feasibility of the University becoming independent from the ADP with its own degree awarding powers and ultimately University Title.

Improving the higher-level skills and knowledge capacity within the human capital of a place ultimately has little or no effect without the parallel stimulation and supply of higher value jobs to provide opportunities for the increased number of higher-level skilled people. One component of such a stimulation and supply system is an innovation eco-system.

Replicating the “Cambridge Phenomenon” that has taken decades to evolve organically and develop requires a specifically designed and long-term programme of interventions that balance supply of improved human capital with demand for it. This in turn requires indigenous and inward business growth that is more knowledge intensive and higher value, requiring higher level skills.

In the case of Peterborough and The Fens, this means addressing the HE cold spot to generate more level 5, 6, 7 & 8 skills, focused on key, higher value growth sectors such as high-value manufacturing and digital. In comparison to the average city in the UK, and within a workforce of 103,000, Peterborough needs be able to mobilise 17,000 more workers at these higher skills levels, to become competitive as a place, and arrest four decades of decline in prosperity and health outcomes.

Filling the higher-level skills gap in Peterborough and The Fens, will have limited impact without effective measures to grow significantly the business and industrial demand for those skills. This will require, concurrent development of the innovation and business support eco-system to grow indigenous high-value firms and attract new ones to the city.

Such an eco-system, using the new university as its hub, has been designed and substantially funded by CPCA, to be mobilised over the next year. Beyond this project, funding is being sought in the form of accelerated and expanded access to the national £387m 2021/22 Local Growth Fund allocation. Taken together this will include:

- A central, multi-university research super-hub to act as the enabling core for an innovation eco-system to connect firms locally with global partners, knowledge and opportunities for growth.
- New business clusters and networks, especially in manufacturing in the north of the region.
- £20m of growth coaching, mentoring and capital for innovation-based firms.
- A new local Foreign Direct Investment agency to connect into DIT to attract high value firms globally.
- A skills brokerage service to connect learners, and those retraining, with growth firms.
- A network of new Tech Accelerators and Incubators connecting the Cambridge knowledge base with the north of the area.

1.2 Strategic context

1.2.1 About CPCA

CPCA was established in 2017 under a Devolution Deal with central Government. Its purpose is to ensure Cambridgeshire and Peterborough is **a leading place in the world to live, learn and work**.

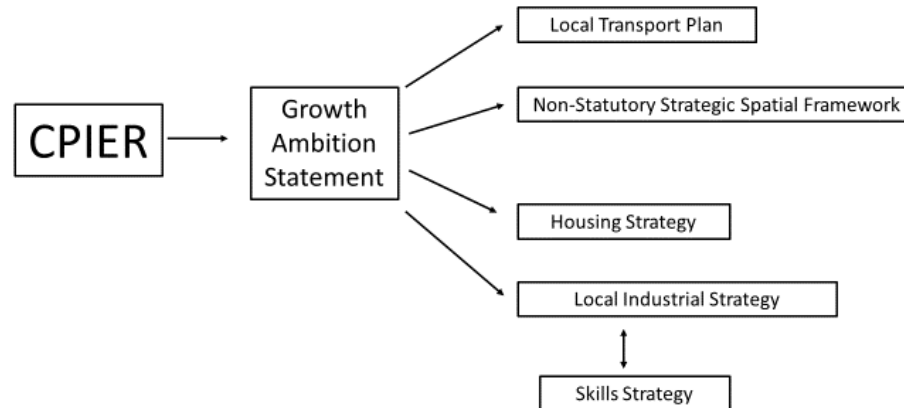
It brings together the area's councils and is chaired by a directly elected Mayor. The Mayor and Combined Authority have statutory powers and a budget for transport, affordable housing, skills and economic development, made up of funding devolved from central Government. The Mayor also has powers to raise monies through local taxes, although these have not been used to date. CPCA's 2017/18 accounts are available at cambridgeshirepeterborough-ca.gov.uk/news/combined-authority-draft/.

The Devolution Deal for Cambridgeshire and Peterborough sets out key ambitions for the Combined Authority; CPCA's mission statement is **"to deliver a leading place to live, learn & work by 2030"**. The Deal, which runs for 30 years, also sets out a list of specific projects which CPCA and its member councils will support over that period. CPCA is publicly accountable for how it uses its devolved funding to meet the Devolution Deal commitments.

CPCAs' business plan can be found at cambridgeshirepeterborough-ca.gov.uk/assets/Uploads/CPCA-Business-Plan-2019-20-dps.pdf and includes the following strategic goals and business aims:

- Doubling the size of the local economy.
- Accelerating house building rates to meet local and UK need.
- Delivering outstanding and much needed connectivity in terms of transport and digital links.
- Providing the UK's most technically skilled workforce.
- Transforming public service delivery to be much more seamless and responsive to local need.
- Growing international recognition for our knowledge-based economy.
- Improving the quality of life by tackling areas suffering from deprivation.

The strategic policy framework within which CPCA works is summarised below (CPIER is the Cambridgeshire and Peterborough Independent Economic Review).



CPCA's Board brings together the Leaders of the councils in the area under the chairmanship of the Mayor and is also attended by the Police and Crime Commissioner, Chairman of the Fire Authority, Chairman of the Business Board and a representative of the NHS. Further details of CPCA's formation, structure, partners and ambitions can be found at cambridgeshirepeterborough-ca.gov.uk/about-us and cambridgeshirepeterborough-ca.gov.uk/assets/Uploads/Constitution-2019-10-24.pdf. CPCA's governance includes a number of Committees and the Business Board:

- **Overview and Scrutiny Committee:** to scrutinise decisions by the Combined Authority or the Mayor.
- **Audit and Governance Committee:** to review the Combined Authority's financial affairs, internal control, corporate governance arrangements and risk management.
- **Employment Committee:** formed following September 2017's Combined Authority Board meeting to provide a focus on employment initiatives in the region.
- **Housing and Committees Committee:** to make recommendations to the Combined Authority Board on: Housing Strategy; the Housing Investment Fund; and the programme of housing projects.
- **Skills Committee:** to make recommendations to the Combined Authority Board on the Skills Strategy and the skills budget, innovation fund and Adult Education Fund.
- **Transport and Infrastructure Committee:** to make recommendations to the Combined Authority Board on: the Local Transport Plan; Bus Strategy; the transport revenue budget, including any transport levy; the annual programme of strategic transport projects and the associated capital investment budget; borrowing powers exercised as the Local Transport Authority; and creation of the key route network
- **Business Board:** constituted in September 2018, the Business Board is the Local Enterprise Partnership (LEP) for the region. It gives commerce a stronger voice in developing CPCA's plans and decision making, particularly the Local Industrial Strategy (LIS) and advising CPCA on achieving its growth ambition.

1.2.2 Policy alignment

National Policy

The UK needs a dual training system where vocational education and training is well known and highly recognised worldwide due to its combination of theory and applied training, embedded within

real-life work environments. Central Government has outlined in its Industrial Strategy the need to see more people equipped to acquire intermediate and higher-level technical skills that the economy needs now and in the future. A simplified qualifications system is needed that everyone understands and has confidence in is key to this reform.

The Government's proposed Post 16 reforms aim to streamline qualifications for students through the Post 16 Review of qualifications at level 3 and below in England (www.gov.uk/government/consultations/review-of-post-16-qualifications-at-level-3-and-below-in-england) to create a coherent system with clear, high quality progression routes for students of all ages, including the National Retraining Scheme. These need to support the recommendations of the Augar Review into Post-18 Education funding and the review of Higher Technical Education. The Government's Level 4 and 5 reforms (www.gov.uk/government/publications/review-of-level-4-and-5-education-interim-evidence-overview) present an opportunity to ensure that technical/vocational learning is available in Peterborough.

It is clear that Government HE policy is concerned with increasing the supply of higher-level technical skills, ensuring genuine inclusiveness in higher education provision and participation and supporting the expansion of agile modes of learning including distance and virtual learning approaches to enable increased participation. All of these are strong drivers for the approach to be adopted for the development of a new University for Peterborough.

This in turn supports the UK Government's Industrial Strategy (www.gov.uk/government/topical-events/the-uks-industrial-strategy) which articulates the national strategy to achieve a vision of:

- The UK having the world's most innovative economy.
- Good jobs and greater earning power for all.
- A major upgrade to the UK's infrastructure.
- The UK being the best place to start and grow a business.
- Prosperous communities across the UK

A new University will make a substantial positive economic impact not only in the City but in the wider sub-region supporting these national policy frameworks, enabling the region and the UK to compete in an ever more dynamic global economy through innovation and creating knowledge-intensive businesses. At the same time it will deliver significant cultural and social benefits that are inherent in the aims of these national policies.

CPCA Skills Strategy

The CPCA Skills Strategy provides a framework for expenditure against strategic priorities focused on learning that delivers sustained job outcomes, productivity and economic growth. Devolution of skills budgets provides scope to embed an approach that coordinates local resources and establishes priorities.

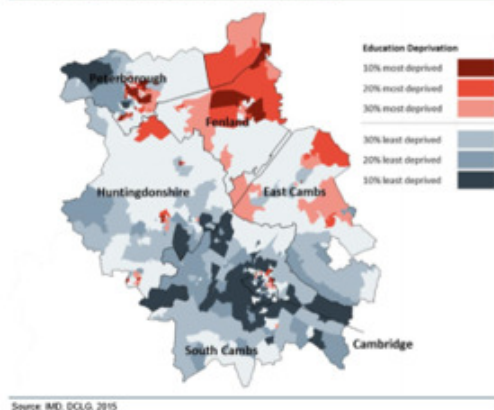
The Cambridgeshire and Peterborough region plays an important role in the UK economy. Although the area is home to large and globally significant businesses, small/medium businesses dominate the local landscape. The region comprises three distinct economies with differing sector specialisms and differing social and economic skills needs:

- Peterborough and surroundings (including north Huntingdonshire).
- The Fens (including Fenland, some of East Cambridgeshire and part of Huntingdonshire).
- Greater Cambridge (Cambridge and South Cambridgeshire, including southern parts of Huntingdonshire and East Cambridgeshire)

Broadly speaking, Greater Cambridge has the highest levels of skills and the best educational outcomes; Greater Peterborough and the surrounding area experiences lower levels of employment and greater economic inactivity (suggesting an economy marked by longer term issues relating to engagement and long-term alienation) and the Fens has lower labour market performance, related to the accessibility of both jobs and training. Levels of education deprivation are shown in the figure below and are concentrated in the north and north-east of the region in particular.

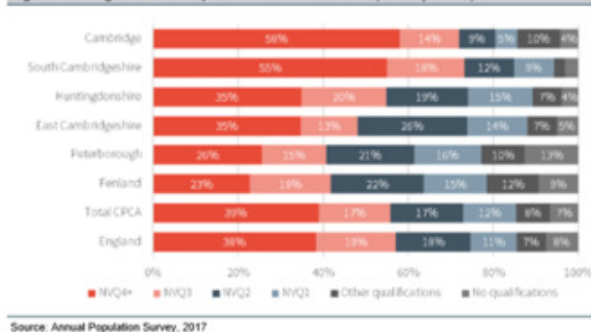
Education deprivation is concentrated in the north-eastern areas of the CPCA. Peterborough and Fenland in particular although there are small clusters in Huntingdon and Cambridge. By contrast significant areas of Huntingdonshire, South Cambridgeshire and Cambridge are lowest in education deprivation.

Figure 4.17 Education, Skills and Training Deprivation Map



Distribution of qualification outcomes

Figure 4.14 Highest level of qualification across CPCA (16-64 yr. olds)



Peterborough is a recognised cold spot for HE provision in the region, which results a higher level skills gap amongst the working population (see section 1.2.5 below):

It is imperative that, to achieve inclusive growth, CPCA concentrates efforts on closing the skills gaps, and overcomes the barriers and challenges to progression by developing bespoke life-long learning for all ages through a tailored approach. Key to success will be growing local talent (alongside attracting new talent to the area). The CPCA Skills Strategy, therefore, sets a strategic direction to enable sustainable futures by creating a culture of positive change within the skills arena following three key themes:

1. Achieve a high-quality offer tailored to the needs of the three sub-economies.
2. Empower local people to access education and skills to participate fully in society, to raise aspirations and enhance progress into further learning or work.
3. Develop a dynamic skills market that responds to the changing needs of local business.

The University will be catalyst for action under all three themes. It is a Mayoral priority within CPCA's 2019-20 Business Plan as well as a key intervention within the Local Industrial Strategy and the Skills Strategy, to address the current disconnect between work and qualifications. Furthermore, expanded higher education provision will be an essential component in realising the ambitions set out in the Cambridgeshire and Peterborough Independent Economic Review (CPIER www.cpiere.org.uk/final-report/) to: establish the foundations for raising aspirations and attainment in Peterborough and the surrounding region; support business skills needs; improve productivity; stimulate structural change in the sub-regional economy; and enhance the well-being of the local population.

Moreover, young people in Peterborough and surrounding areas often leave school/college/university without possessing some of the practical skills to function in the modern workplace. There

is concern also that the teachers/academics lack knowledge of vocational career pathways and technical curriculums and that there is currently a disconnect between schools/colleges and employers/businesses. CPCA's strategies focus on activity-based transitions that are outcome based and business-focussed within the key sectors of Construction, Logistics, Agriculture/Food, Life Sciences, ICT/Digital, Health and Social Care to create pathways to further study in either FE or HE.

Based on recent economic data/evidence collected from the CPIER and the Hatch Regeneris' Skills Strategy Evidence Base Report (www.cambridgeshirepeterborough-ca.gov.uk/assets/employment-and-skills/Cambridgeshire-and-Peterborough-Combined-Authority-FINAL-DEC-2018-Appendix-A.pdf), CPCA's Skills Strategy (www.cambridgeshirepeterborough-ca.gov.uk/assets/employment-and-skills/Skills-Strategy-Final-Version-5.6.19.pdf) has identified a need for a University for Peterborough. CPCA is committed (as a devolution priority) to supporting the establishment of expanded HE provision in Peterborough, with a course mix driven by the requirements of local residents and businesses.

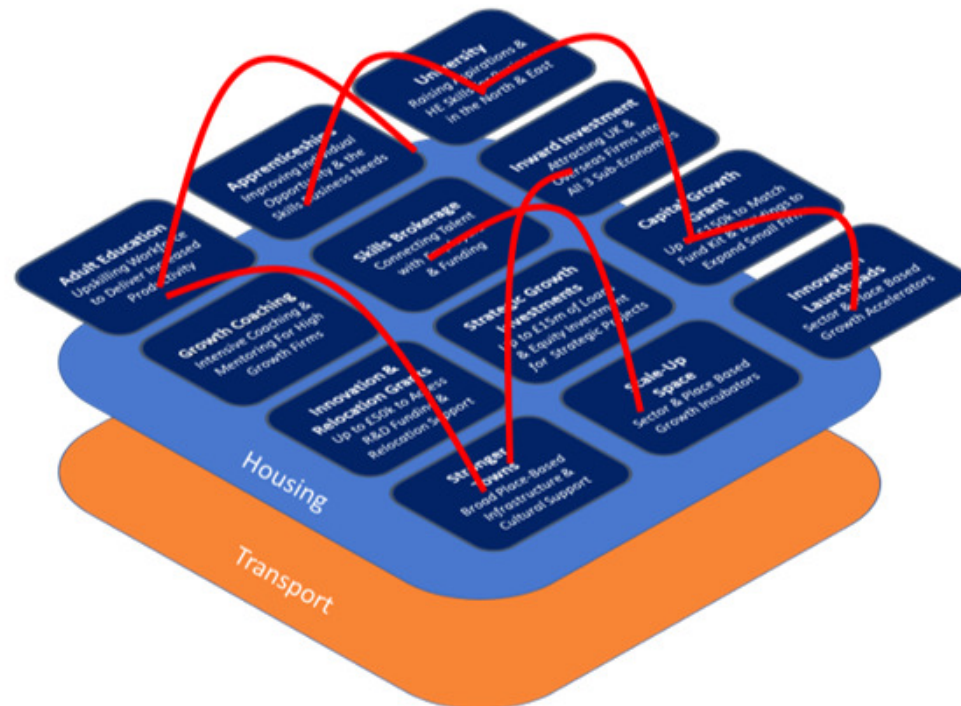
The University curriculum offer needs to support raising aspirations to grow the student numbers from the local area, meet student expectations and meet the needs of the local economy. CPCA's policy is to prioritise skills interventions, including supporting the establishment of a new University for Peterborough with provision driven by local employer demand for skills in both public and private sectors, encouraging apprenticeships. Through the LIS, CPCA is also working to activate employer demand and motivate learners and their families to raise their aspirations.

The establishment of a new University is, therefore, an integral element of the wider CPCA Skills Strategy and Local Industrial Strategy implementation, as illustrated in the diagrams below.



The new University project has no direct delivery dependencies on the CPCA's other skills and economy interventions, although a number of these other programmes will support the University curriculum offer; e.g. Skills Brokerage (linking) business with schools, the CEC contract (linking

careers advice in schools with Enterprise Advisors in schools), delivery of the Adult Education Budget linked to the National Retraining Scheme and the DWP Health and Care Sector Work Academy.



1.2.3 Objectives

CPCA's ambition is to create a new University for Peterborough that will deliver a step-change in life-chances for young people in Peterborough and beyond. Key to the success of the new University will be its ability to grow and retain local talent alongside attracting and retaining new talent to the area. Through this project, CPCA is committed to raising personal and community aspirations along with improving social-mobility and contributing to inclusive social and economic growth. CPCA will continue to promote and support skills provision that meets employer demand and motivates learners and their families to aspire to building prosperous futures for themselves and their communities, harnessing lifelong learning.

The top-line objectives for the new University are:

- Accelerating economic growth through an increase in student numbers educated for higher value jobs which CPCA intends to stimulate and grow in the local economy.
- Increasing productivity by job-ready degrees that support growth in the local economy.
- Increasing GVA through meeting business, student and employer aspirational needs.
- Creating an effective progression route for technical learning maximising the variety of providers and funding sources.
- Re-skilling and up-skilling the workforce to meet technical skills market needs.

Specific quantitative objectives for the new University include:

- The University starts provision of education to students at the start of Academic year 2022/23 with students registered to receive an award of the ADP (as it will not yet have its own degree awarding powers).

- Prepare and submit registration of new University with the Office for Students (OfS) in the 2022/23 academic year, with the new University anticipated to be eligible for registration with the OfS as a Higher Education provider by the beginning of the academic year 2025/26.
- Subject to the conclusions of comprehensive review by CPCA and the ADP, securing Unlimited Degree Awarding Powers following the 2028/29 academic year and eligibility to apply to OfS for university title (as the "University of Peterborough") in accordance with the Framework by the beginning of the academic year 2031/32.
- Up to 2,000 students for the 2022/23 academic year, rising to 3,000 by 2024/25 and 4,000 by 2025/26 with an aspirational target (subject to availability of the necessary capital funding) of up to 12,500 students by 2030/31.

Beyond phase 1 of the project, it is intended that:

- Phase 2, when constructed, will be an 'Advanced Manufacturing and Materials Research Centre/Innovation Hub' used for educational research and development (with no teaching taking place in the Phase 2 building(s)).
- Phase 3 will comprise plans for two further teaching-focused buildings to be constructed in two sub-phases with the first projected to open in 2025 and the second in 2028 (subject to the necessary funding being obtained).

As described above, improving higher-level skills and the knowledge capacity must be accompanied by parallel stimulation and supply of higher value jobs to provide opportunity for the increased number of higher-level skilled people, including development of an innovation eco-system in the region.

There is considerable evidence of best practice in developing and managing place-based innovation ecosystems, which has been used by CPCA to build a strategy to develop such an eco-system for Peterborough and the Fens. It includes actors and components able to:

- build on the regional master plan provided by the LIS, which identifies the threats and challenges facing the regional economy and its key sector-clusters, along with the potential skills and innovation interventions to overcome those challenges. It has clear targets for ecosystem-level innovation outcomes in terms of inputs, such as volume of R&D and knowledge generation, and outputs such as the value and volume of new products and services created and launched into market, delivering outcomes in terms of new, higher value, jobs created;
- operate locally with connectivity to a truly global, sector-based collaborative network in materials and high value manufacturing sectors, and through selected Innovation Partners' 700 Industrial Member companies across 4500 sites in 80 countries, with combined revenues of £35bn and a combined annual R&D activity of £1.5bn pa into which to connect;
- enable the flow of information, resources, talent, and solutions between complementary firms across networks, through our selected Innovation Partners' R&D collaborations, consultancy and training services with Industrial Members, rolled out to Peterborough's local network of 200 manufacturing firms, managed by Opportunity Peterborough;
- connect firms through formalised innovation partnerships such as membership of broad R&D programme, or individual projects, innovation alliances (e.g. joint R&D centres jointly staffed by business and universities). Such innovation creation platforms must extend into commercialisation partnerships and market-entry joint ventures and hubs, to ensure market-specific product and service launch and innovation-based growth; and

- provide a clear central coordinating service, facilitating cross-industry collaboration and providing professional services in both management advice and technology applications, capable of managing the ecosystem-level service provision, e.g. the use of facilities and management of an extensive portfolio of R&D, as well as the provision of commercialisation, incubation and growth services.

To drive growth and job creation in the key sectors for the region's economic recovery and re-growth, Phase 2 of the new University will establish an Advanced Manufacturing & Materials Research Centre to extend university delivery into research PhDs and produce the core infrastructure around which to develop an innovation eco-system to drive business research across Peterborough and The Fens.

CPCA and its selected Innovation Partner will build an innovation eco-system around the Centre to drive innovation-based growth in local business clusters. The facility will be managed by the Innovation Partner, as an established global player in promoting business investment in research and innovation. The Partner, to be announced before September 2020, has worked with over 1,000 businesses across the globe to raise over £325m for collaborative R&D between academia and business in just 10 years. CPCA will partner with this global innovation capability to transform the resilience, productivity and knowledge intensity of the local economy of Peterborough and The Fens, which has suffered from low research investment and absence of a research and innovation eco-system, which in turn has led to a four-decade erosion in productivity and high value, knowledge intensive industry. To reverse this trend CPCA will form a novel partnership with business and academia to:

- construct the Research Centre building within the new University campus through the requested accelerated access to 2021/22 LGF funding;
- connect the Centre into a CPCA funded £20m Business Growth Service, launching in October 2020, to support 3,000 firms to grow through innovation, business coaching, mentoring and access to growth capital;
- create a unique Global-Local Innovation Network consisting of the Innovation Partner's 700 Industrial Members across the globe, with over 500,000 employees and a joint R&D investment of over £1.5bn pa, connected into a new CPCA funded Manufacturing Network of 200 firms across Peterborough & The Fens; and
- curate a Multi-University Innovation Super-Hub, securing inward investment from 5 universities into Peterborough from the Golden Innovation triangle, formed by the London-Stansted-Cambridge Growth Corridor and the OxCam Growth Corridor, to create 8 university specialist Innovation Centres within the Super-Hub, with a combined R&D portfolio of £10m per annum

All parties involved acknowledge that these objectives and timelines are subject to reasonable adjustment to reflect issues arising from the impacts of Covid-19 (see section 3.3 in particular).

CPCA further anticipates that the new University will have:

- a substantial positive economic impact on Peterborough City and the surrounding region such that investment in the new University will generate direct, indirect and induced impacts across a wide range of industries, supply chains and the wider consumer economy;
- a positive regenerative effect to support the transformation of Peterborough itself into a regional centre improving the experience of all citizens and visitors to the area, including

generating new opportunities for graduate-level employment and encouraging both local participation in HE and the local retention of graduates to benefit the wider economy;

- a transformational effect on the life-chances and well-being of its students and raise aspiration more broadly within Peterborough and the surrounding region. We anticipate that this will include:
 - Improving life-chances, health and well-being outcomes of students and, over time, the wider community;
 - building confidence and capability among the graduates of the new university and potentially encouraging innovation and entrepreneurship;
 - enhancing the capabilities of those graduates who continue to live and work in and around Peterborough to improve their productivity and earning potential; and
 - attracting and retaining investment locally to create more opportunities for the people of Peterborough and the surrounding region to benefit from higher education and contribute to the on-going success of the region.

1.2.4 Current position

While the CPCA region has an enviable HE profile thanks in part to the presence of institutions and universities that have a world-class reputation, Peterborough has been recognised for many years as a cold spot for Higher Education (e.g. Peterborough and Fenland have around a quarter of the number of HE entrants of South Cambridgeshire)¹.

Current HE provision in Peterborough consists of:

1. **Peterborough Regional College:** has around 4,500 students and a broad course offering with particular HE teaching specialisms in engineering and construction, primarily at the Park Crescent campus, including **University Centre Peterborough (UCP)**, a 100% owned subsidiary of Peterborough Regional College, providing around 500 qualifications per annum across business, engineering, digital, finance, construction management and accounting disciplines. The curriculum is modelled on education pathways and not sufficiently linked to employment or business needs, despite there being a number of applied degrees on offer. UCP does not have degree awarding powers and currently degrees are validated by Anglia Ruskin University.
2. **Anglia Ruskin University:** a satellite campus located in Guild House, Peterborough, with bespoke provision of around 400 qualifications per annum in health, social care and education. It is intended that this provision will be transferred to the Phase 1 new University at the embankment site that is the subject of this FBC.

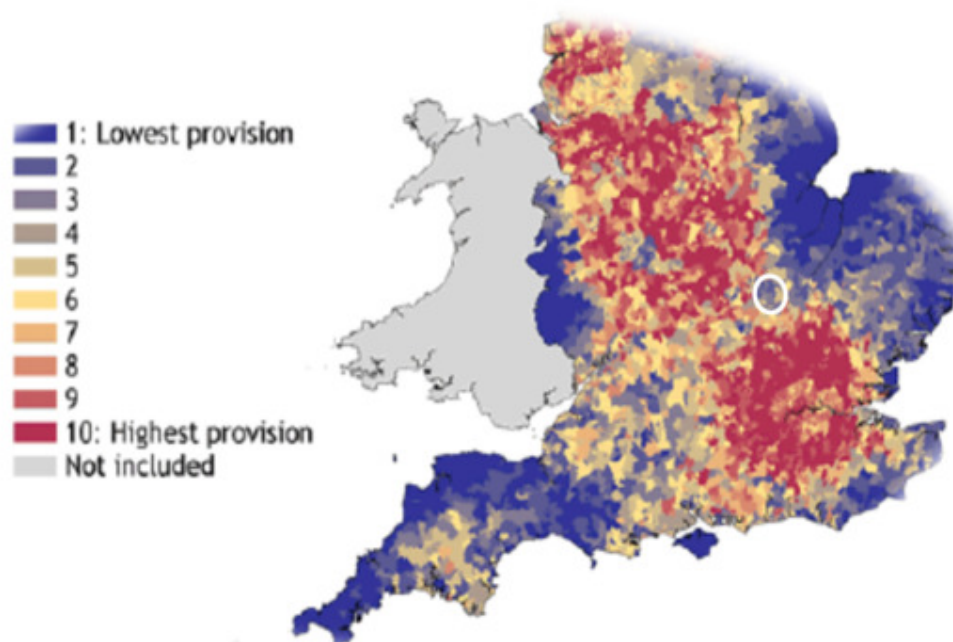
There is no HE provision in Fenland or North Huntingdonshire. The dispersed rural character of, and poor transport networks in, Fenland in particular make it challenging to establish HE operations in these areas. The sparsity of population and travel to learn times (rather than distances) have tended to inhibit the creation of viable provision, in the absence of flexible modes of delivery to compensate for these characteristics of the region.

1.2.5 Case for change

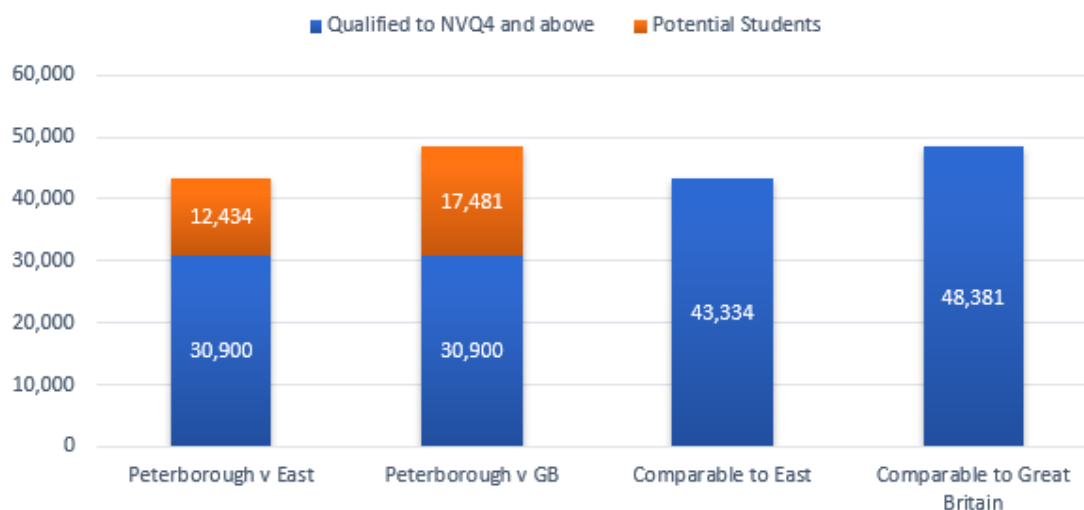
A Higher Education “cold spot”

¹ Hatch Regeneris CPCA Skills Strategy Evidence Base, December 2018

To be effective the University must address the characteristics of the higher education cold spot in the region (see figure below, sources: HESA and ILR 2012/13).

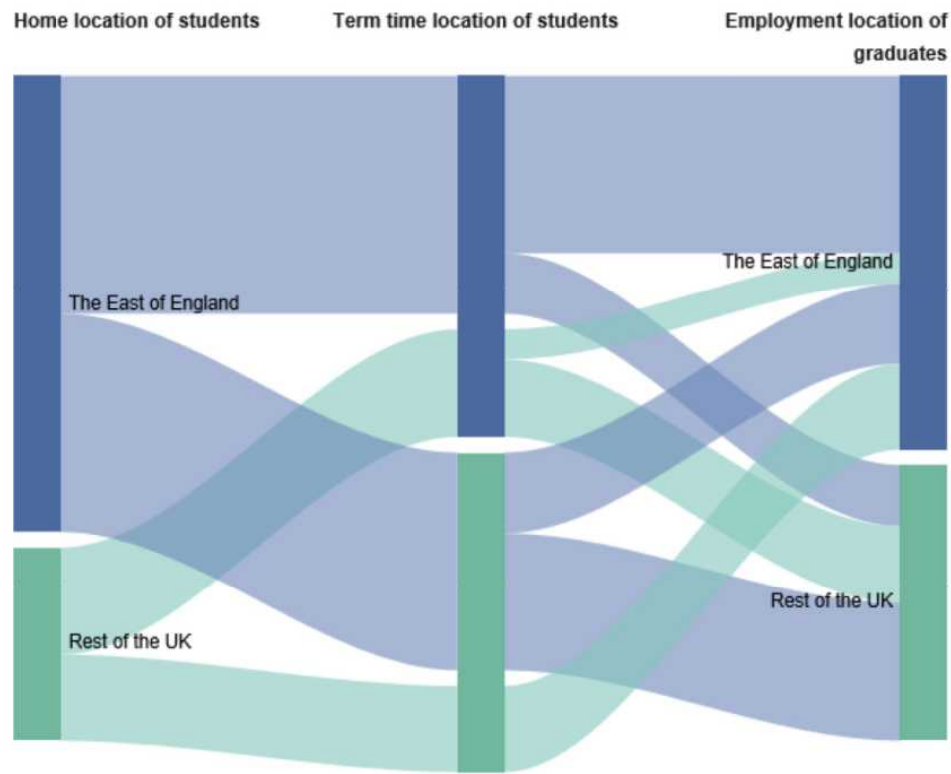


If Peterborough matched the East of England an additional 12,000 people aged 16-64 would have an NVQ Level 4 qualification or above and if Peterborough matched the UK, 17,000 more people would have such a qualification (see chart below).



There is no doubt, therefore, that, as a higher education cold spot, Peterborough and the wider CPCA region north of Cambridge is under-served by current providers. Furthermore, there is a net-outflow of students from the East of England with many fewer local students returning to the region after graduation; and, equally, many fewer students who study in the East settling in the region after studying here, effectively denuding the region of graduate talent (see HESA Destination of Leavers Survey figure below with additional interpretation in the footnote²).

² The groupings from top to bottom on destination:



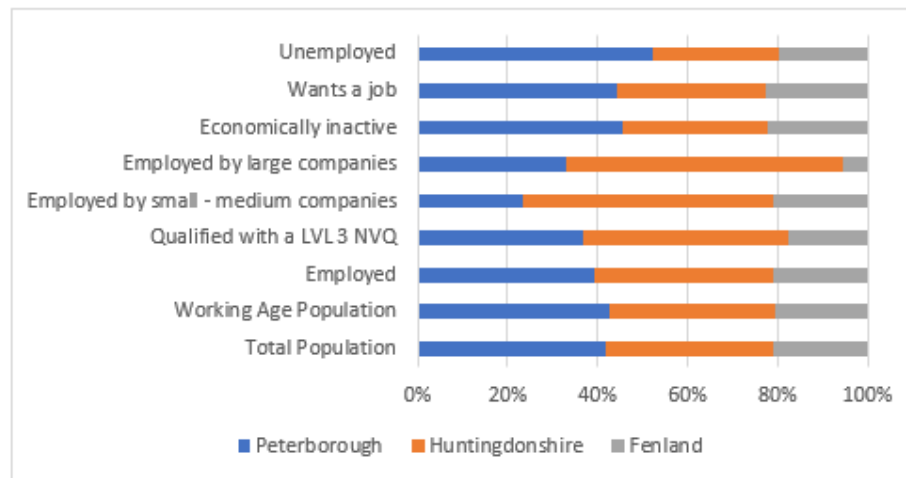
Source: HESA Destination of Leavers Survey, 2014/15

Note: Populations cover those HE graduates in employment who have had a postcode in the selected region during their time in HE. This includes their home address, term-time address and employment location.

Peterborough has a working age population of c 125,000 of whom 95,300 are employed. Unemployment rates in Peterborough are 4.7%, which is higher than the national average of 3.5%; approximately 5,000 people are unemployed and approximately 24,400 are economically inactive, of whom approximately 6,500 would want a job. These proportions are broadly mirrored in Huntingdonshire and Fenland; the chart below gives more detail on the labour market position across the sub-region.

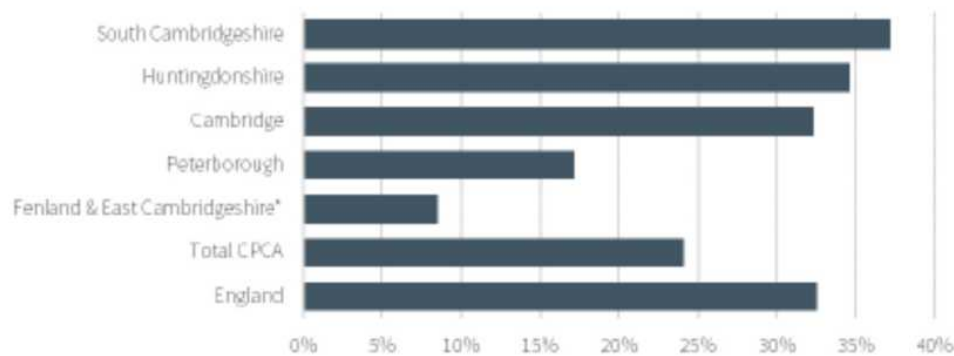
1. East of England (EE) students, who study in the East and stay after graduation
2. UK students (out of EE region) who study in the East and stay after graduation
3. EE students who study out of region but return after graduation
4. UK students (out of EE region) who study out of region but move into region after graduation
5. EE students who study in the East and leave the region after graduation [Net Loss]
6. UK students (out of EE region) who study in the East and leave after graduation
7. EE students who study out of region and do not return to the region after graduation [Net Loss]

Categories 5 and 7 outweigh categories 2 and 4. The net effect is a drain on the region. However, these groups are not the target market for the University– these students are already travelling in/out of region for a specific higher education experience which is already available. To compete directly for these students with their current institutions of choice would be fool-hardy given the imbalance in resources, infrastructure and brand equity. This route would lead to a “Red Ocean” of brutal competition.



Peterborough/Huntingdonshire/Fenland labour market demographics [Source: Official Labour Market Statistics]
 NB the population with NVQ level 3 qualifications will overlap with several other sub-sets.

The local population has grown at a faster rate than the national average, which will in due course translate to a bigger local market for students. Moreover, the CPCA area has only 24% of 18-24-year olds in full-time education, compared to 33% nationally and in Peterborough the proportion is very much lower than any other part of the region except Fenland and East Cambridgeshire.



Proportion of Young People aged 18-24 in full-time education
 Source: Hatch Regeneris CPCA Skills Strategy Evidence Base

Addressing provision to under-represented and under-employed groups is critical as there may already be unfilled vacancies and employment opportunities within the region for which there is a dearth of suitably qualified applicants. This is uncontested market space where competition in HE (which is burgeoning) is largely irrelevant. The University has the opportunity to provide a unique offering to serve the cold spot, to attract under-represented groups and to redress the balance between Peterborough and the rest of the region. The economic impact of developing a strategy to serve this need would in turn be very considerable.

During the last four decades, Peterborough's population has doubled, and with it, the level of employment available. However, due to the much lower than average (nationally) supply of Level 4-6 skills, it has proved impossible to grow or attract in, sufficient high-value firms to maintain the city's productivity levels. This has created a degradation in the average value of jobs, wages and health outcomes that has significantly retarded the north of the CPCA region's economic growth potential, and its ability to contribute to region-wide productive growth.

The need for a new approach

After failed efforts over the last 20 years, to produce a commercially viable HE provision, of sufficient scale and quality, to attract sufficient volumes of students to meet demand for higher value skills to enable productive growth, a different approach is required.

University Centre Peterborough/Peterborough Regional College

In June 2016 UCP/PRC was awarded £720,000 of Greater Cambridge and Greater Peterborough LEP funding to support the development of the University; £120,000 to support project management and £600,000 to develop Taught Degree Awarding Powers (TDAP). In September 2017 CPCA awarded UCP/PRC a further £668,604 to support project management, curriculum development and marketing. In March 2018 a further £9.7 million was approved towards validation of the UCP/PRC Business Case bringing the total funding approved by March 2018 to £13.53 million.

The project then entered a period of considerable turbulence and challenging relationships between key stakeholders. By July 2019 £1.1 million had been invested without good evidence of progress and significant concerns arising that the goal of increasing student numbers to 2,000 by 2022 would not be achieved. CPCA, therefore, commissioned independent reviews to look at the progress made. While progress had been achieved³, there were significant risks and implications of continuing with the programme without a review of progress and strategy (further reinforced by changes in the HE landscape and the need to future-proof on-going investment and ambitions for the University).

Gleeds were commissioned to perform a Technical Review as to whether the Strategic Outline Business Case submitted to the CPCA in 2018 was fit for purpose and whether a sufficiently robust assessment could be produced, detailing the options for establishing a new University, to allow the commitment of CPCA funds into a procurement of new buildings and facilities on the Embankment site.

The Gleeds Review suggested the project set out in this Outline Business Case as a credible way forward to deliver CPCA and PCC aims, highlighting the following in particular:

- A robust plan in place to deliver the University on time on the Embankment site with 2,000 students by 2022 in an iconic building.
- The plan will allow the delivery of a curriculum that meets the needs of both students and employers, and with new and progressive delivery models, such as degree apprenticeships and 2 year degree programmes.
- The plan includes strategies to raise the amount of revenue and capital funding currently available for the project (£13.83 million from the CPCA) to as much as £20 million.

³ Progress identified included:

- Registration to Office for Students to apply for Degree Awarding Powers.
- An agreed high-level vision across all stakeholders providing an underpinning for the new university, and a definition for the new University.
- CPCA has instituted very rigorous and robust monitoring and evaluation of UCP's programme delivery.
- CPCA has instituted rigorous and robust accountability systems for financial awards made to UCP.
- Shadow University governance arrangements were in place (chaired by Sir Les Ebdon).
- Restoration of positive working relationships with between CPCA and UCP, PRC and PCC.
- The development of 28 curriculum courses that have been validated by the ADP.
- A draft joint (CPCA/UCP/PCC) Communications Strategy developed.
- Three credible strategic reviews of the project by independent 3rd Parties.

To achieve these goals the plan includes a market comparison of potential academic partners to work with the CPCA and PCC to deliver the University by September 2022 and on to 2030.

Accordingly, the conclusion drawn was that UCP/PRC could not continue to be automatically considered to be the preferred or exclusive Academic Delivery Partner without challenge and comparison with the market.

Institute of Technology

There has been previous discussion about the option of an Institute of Technology (IoT) to fill the gaps in technical provision, particularly to develop STEM (science, technology, engineering and mathematics) skills. Successful IoTs are built on successful FE/Technical Colleges and successful school provision of vocational learning and these conditions are not currently present in Peterborough. Peterborough already has the Greater Peterborough University Technical College (14-19) and IMET (Innovation, Manufacturing, Engineering and Technology) at Alconbury. The UTC specialising in Engineering and with strong business engagement recently received a “Requires Improvement” rating from Ofsted at its first inspection with lack of pedagogy and teaching specialism in technical delivery cited as a key factor. IMET opened in September 2019 to 15 students and is operated by Peterborough Regional College and Cambridge Regional College. PRC was also rated “Requires Improvement” by Ofsted in June 2019 and student numbers in vocational learning have fallen significantly.

The way forward

The only viable solution to the cold spot, therefore, is to increase HE provision in Peterborough and the intention of the new University for Peterborough is, accordingly, to increase the number of HE entrants from the north and north-east of the CPCA region by attracting and retaining students locally (after graduation). In particular, it will need to engage people who do not currently participate in HE but who would participate and remain locally if suitable provision was available (i.e. not compete for students who migrate out of region and do not return, nor for students who already migrate into the region but do not stay). Furthermore, flexible modes of HE delivery will be necessary to compensate for the characteristics of the region (particularly sparsely populated rural areas) and this is a critical reason why the University must establish itself on an agile basis and not be entirely concentrated in Peterborough.

The Cambridgeshire and Peterborough Independent Economic Review (CPIER), makes direct reference to the development and scale of investment required in the new University.

“...the purpose of the University in Peterborough ought to be strongly rooted in the local and sub regional economy. This should mean drawing on existing strengths in manufacturing and engineering... local economic benefits of university research tend to be magnified when local firms are technologically close to the university.”

Such effects inevitably develop over time and are not to be expected from an institution in its first phase of development, although the long-term vision, mission and growth trajectory must be lay the foundations for this critical link between research and business (current and future). CPIER continues:

“As the UK moves towards the digitalisation of industry, new types of jobs are being created at the interface between manufacturing and IT. Artificial intelligence is also likely to revolutionise manufacturing. There are niches to be found here, [that] local businesses ... would be keen to support. Water management is another area where Peterborough has specialisms and is particularly relevant

for few areas. We warn those planning for the university to resist the temptation to try to develop an outstanding university on a shoestring – any such institution will require high-levels of investment in advanced machinery to be credible. Putting clear financial heft behind the proposal and hiring excellent people from successful universities will be needed to prevent the university from languishing in mediocrity or failing given the present apparent increased supply of university places relative to demand.”

It is important to be realistic about the early phases of development of the new University. In particular, research strength has been concentrated selectively in fewer universities over the last 20 years (in reality, the top 6 institutions account for the vast majority of research funding and activity). The creation of an *ab initio* research strategy for the new University must recognise this fundamental dynamic. The scale of research activity will, therefore, initially be modest and flow from the investment of time by the new University in developing the necessary human capital, infrastructure and resources to address this longer-term strategic ambition. Staff recruitment is correctly identified in the CPIER analysis as a critical success factor. However, both time and investment will be needed to recruit and engage those staff. Most critically, such development must flow from an established sustainable model of provision that can underpin the recruitment of researchers and address the demographic challenges that make Peterborough a cold spot in the first place.

It is, therefore, necessary to be clear that the first tier of University strategy must be to craft a sustainable portfolio of taught courses that addresses the characteristics of the cold spot and then to recruit and build the human capital, infrastructure and research expertise. The University's future graduates may be among those who fundamentally re-shape the business landscape of the region and collaborate on exactly the type of research/industry challenges which CPIER recognises. To reach that point, the University itself will need visionary leadership to attract top academic talent and a sustainable business model to attract and underpin substantial levels of future investment. The critical challenge facing the new University for Peterborough will be to provide a firm foundation for an ambitious longer-term strategy and investment programme.

Research by Opportunity Peterborough has helped identify a broad scope of discipline areas that the new University will need to consider, including:

- | | |
|--|--|
| • Agri-tech; | • Sustainability |
| • Business | • Arts and Creative |
| • Education and Professional Services; | • Health and Social Care |
| • Construction; | • Law |
| • Engineering | • Manufacturing and Advanced Materials |
| • IT and Digital; | • Logistics and Distribution; |
| • Life Sciences | • Travel, Leisure and Hospitality. |
| • Science | |
| • Mathematics | |

It is clear from the scale and scope of these sectors that the new University has a range of opportunities to consider (without spreading itself too thinly during the initial phases of its development).

A UK wide survey of foreign direct investment found that digital technology, climate change and healthcare and wellbeing were ranked as the three highest potential opportunities for investment

over the long term, with 25% of investors citing employee skills as the key factor which influenced their decisions⁴.

Wider impacts

A higher education experience is one of the most powerful and transformational investments which can be made both by individual students and by civil society more broadly. Moreover, universities in cities help build community cohesion and drive up educational standards and attainment e.g. with lecturers/professors becoming governors at local schools.

CPCA is determined to make these investments, to encourage others to make such investments and to bring the positive benefits of higher education to the people of Peterborough and the surrounding region.

A new University will, therefore, offer much more to the people of Peterborough and the region. It will give Peterborough and surrounding areas an opportunity to reinvent its economy as the city continues to grow in population, creating a virtuous circle for continued growth of the economy and the new University, raising aspirations locally and supporting business needs for skills.

1.3 About the project

1.3.1 Scope

Recognising the resource and timescale constraints and the very high risks that would accompany any attempt to found a new University of Peterborough on a model similar to those founded in the 1960s (the so-called Robbins Institutions), the core strategy for the University is based on directly tackling the characteristics of the addressable component of the current market failures (the “cold spot”) without unnecessary direct competition with existing providers. The hallmarks of this strategy, based on a clear understanding of the market needs in and around Peterborough and by balancing resource constraints, include:

- A clear focus on under-represented groups and those “left behind” i.e. those who cannot or will not travel to existing providers.
- A solution based on a limited physical experience i.e. the capital available will support only a modest campus development (at least) initially.
- A phased approach which evolves with the needs of the region and is facilitated by successive successful phases of development i.e. a model in which viable provision is established early and becomes the foundation for reinvesting in later phases.
- The development of highly effective, collaborative and cooperative relationships between education providers to build a clear pipeline of opportunities, to raise aspiration, to identify and promote role models and to create a source of competitive advantage.

This Final Business Case is concerned only with the phase 1 development of the new University for Peterborough comprising:

1. Development of the first university building on the Embankment site in Peterborough City centre (this site will be built in phases as the University establishes and grows).
2. Enter into a joint venture and property/finance transfer to The Peterborough HE Property Company (Prop Co) with PCC and the Academic Delivery Partner (ADP) with legal documentation consisting of:
 - Prop Co Articles of Association.

⁴ Building Back Better – Attractiveness Survey UK – Ernst and Young, May 2020

- Shareholders' Agreement in respect of PropCo
 - CPCA Services Agreement*.
 - Land transfer Agreement.
 - Agreement for Lease with agreed form lease.
 - Any other ancillary documentation required to implement the provisions of the Heads of Terms.
3. Contracting with the preferred ADP to provide the skills, knowledge, experience and resources to establish the new University and to achieve degree awarding powers and University Title consisting of.
 - Articles of Association for the new University
 - Collaboration Agreement.
 4. Procure a main contractor to deliver the phase 1 University building for opening September 2022.

CPCA, PCC and the ADP will enter into agreements under which they will become shareholders' in a new special purpose vehicle (PropCo). The site for the phase 1 building, will be transferred by PCC to PropCo in exchange for shares in PropCo. Funding will be provided by CPCA of up to £24.8m (including the Local Growth Fund (LGF) funding along with the ADP's investment of up to £6.5m (at the time of writing the Full Business case this was a £3.8 million investment; which has formed the basis on which the design has been developed) with the shareholdings to reflect each of the investors contributions to Prop Co. On this basis (which is subject to agreement of the contract sum with the main contractor in January 2021), PropCo will be owned 75.38% by CPCA, 19.76% by the ADP and 4.86% by PCC, with protections in place for PCC and the ADP's minority interest.

Given that PropCo has no staff to manage the delivery of Phase 1 build, CPCA will enter into a Services Agreement between CPCA and PropCo in order for CPCA to manage the procurement, the contract management and administration of the financial management on behalf of PropCo in relation to the delivery of Phase 1 of the new University of Peterborough.

PropCo will build the new campus on the Embankment site and lease the phase 1 building to the new University (which will be a separate new special purpose higher education vehicle (UniCo). UniCo will be created by the ADP as a company limited by guarantee and will eventually become the "University of Peterborough". The ADP will have responsibility for Unico, including the academic governance of UniCo from September 2022 at least until UniCo has the ability to deliver its own awards. It is intended that PropCo will grant a lease of the phase 1 buildings to UniCo, for an initial rent-free period of 10 years (see section 3 below for more detail).

This is a complex project that requires careful sequencing and coordination if the objectives are to be met (see section 1.2.3 above). The critical elements are:

- The formal process for developing a new University with all its attendant functions and services – the complexity of such a development requires that CPCA procures a suitably capable Academic Delivery Partner (ADP) with the know-how and capabilities to join with CPCA to realise its objectives (the procurement process for the ADP is a complex and substantive undertaking in its own right).
- The scoping, design and construction of the new HE building on the Embankment site to meet the enhanced needs of the ADP (which in addition to the three faculties, the ADP has now added a fourth faculty (Faculty of Health and Education) growing from their Guild House activity).

- The development of a Masterplan for the Embankment Site is essential to underpin future phases of development to support the development and growth of the new University. Future phases (not in scope for this Full Business Case) are expected (subject to available capacity on the Embankment site) to be:
 - Phase 2 will be an 'Advanced Manufacturing and Materials Research Centre/Innovation Hub' used for educational research and development.
 - 'Phase 3' will comprises two further teaching focused buildings to be constructed in two sub-phases; the first projected to open in 2025 and the second in 2028 (subject to the necessary funding being obtained).
 - This is intended to enable potential growth of the University up to 5000 students by 2027/28 in phase 2 and 6363 by 2030/31 in phase 3
- Once CPCA has assembled the necessary funding for the future phases, PCC will make available the land for phases 2 and 3, which will be transferred to either PropCo (at the current market value at the time of transfer), or another property investment vehicle incorporated for the purpose.
- The contractual and commercial relationships necessary to assemble resources between the public authorities partnering to develop the University and between those public authorities and the ADP (see section 3 below).

1.3.2 Benefits

The main Benefits of the project stem from establishing a Phase 1 University Campus in Peterborough, for up to 2,000 students by September 2022/23, with a curriculum and delivery model that is designed to meet the skills needs that growth in the Greater Peterborough business base will generate. The plan for the courses to be provided, space required and staffing levels has been developed and adopted by the ADP from the Shadow Curriculum Model referred to above to support Greater Peterborough and the Fen's key sectors, adding in a fourth Faculty.

A curriculum model developed and adopted by the ADP which in turn has driven the revised space model and brief for the phase 1 development (and is now reflected in the RIBA 2 design).

The key benefits to be delivered by the project include:

1. New learners assisted (on courses to full qualification) 10,000 (Levels 5 and 6 over five years).
2. Employment
 - a. Number of temporary jobs created: 50 in construction
 - b. Number of jobs created: 33 University staff initially.
 - c. Number of indirect jobs created: 66 in the University supply chain rising to 398.
 - d. A further 166 directly employed staff as the University Faculties grow.
 - e. Number of indirect jobs to be created: 14,000⁵

⁵ Comprising jobs created in;

- Businesses supplying the University, its staff and students.
- Spin-out/start-up businesses created by University staff and students.
- Inward Investors re-locating/starting business in the CPCA area due to the enhanced attractiveness of the talent pool and improved availability of required skills.
- Indigenous businesses achieving faster and more sustained growth resulting from the lowering of the highest barrier to growth reported by local businesses – poor availability and challenges in recruiting “out-of-area” suitably qualified staff.

- f. Number of Apprenticeships to be established:
 - i. Level 6 (over 3 years) – 4,383
 - ii. Level 7 (over 3 years) – 677

Sections 2.2 and 5.5 describe how these benefits will be assessed and (where applicable) quantified.

1.3.3 Risks, constraints and dependencies

The main risks associated with achieving the project outcomes are set out in the risk register at Annex 6.1 together with measures to mitigate and manage them. The main risks are summarised in the tables below for each of the phase 1 infrastructure works and the ADP procurement and delivery. A more detailed assessment of the risks posed by the impacts of Covid-19 is provided in a separate section of this FBC (section 3.3); the allocation of risk between PropCo and the main contractor will be agreed through the second stage of the procurement process.

The table below summarises the key constraints that have been placed on the project and within which it must be delivered:

Constraints	
Timing	A requirement to start on site in Q4 2020 and deliver the scheme by September 2022. This has led to the need to find a site for phase 1 that can be secured and has few development constraints. In order to meet the Q4 Start and accommodate the delays as a result of the extended negotiated procedure with the ADP up to receipt of the final tender, it will be necessary to commence on site with an enabling package for removal of UKPN redundant cable and low value site enabling works under the pre-construction service agreement with the main contractor. The increased size of the phase 1 building as a result of the needs of the ADP to meet the needs of their curriculum and the delays up to receipt of final tender on 21st April 2020 from the ADP have meant that there is no further terminal float in the overall programme. The programme does not allow for any further delay in contract award of the Academic Delivery Partner or for an extended construction duration as a result of Covid 19.
Procurement	Academic Delivery Partner Procurement - Timing of the project requires an overlap of ADP procurement and development of the design for the phase 1 building; which has remained in order to update the RIBA 2 design through negotiation and to commence the development of the RIBA 3 design (Employers Requirements) that will be used as the basis for procurement of the main contractor in the second of a two stage process the first of which will be based on the agreed RIBA 2 re design following negotiation with the ADP. RIBA 3 design is under development with the ADP following their appointment in June to ensure that there is an agreed set of Employers Requirements to procure the works with the main contractor.

The employed population of Peterborough is 94,000, supplemented by a further 50,000 in its wider commutable catchment area. Current growth is at 3.3% in the city creating up to 15,510 new jobs over the coming five years. With at least 10,000 additional graduates being pumped into the workforce over the same period there is the potential to shift this growth towards higher-value jobs to raise productivity. To support this, the CPCA is launching its Growth Service to create a further 4,692 high-value jobs over the same 5 years, through access to growth coaching for higher-value indigenous companies as well as attracting-in new inward investing firms targeting:

- Advanced manufacturing firms from across the UK and Europe.
- Government departments and professional services firms from London, capitalising on the new 39 minute train journey time to Kings Cross.

Constraints	
	Main Contractor phase 1 - Selection of two stage procurement strategy for the main contractor to appoint a contractor under a preconstruction service agreement ready to commence agreement of the contract sum from sign off of this FBC.
Capital funding	The design of phase one assumes a budget of £28,599,600 based on £24.8m CPCA Funding, now secured by CPCA (made up of £12.3m CPCA and £12.5m LGF) and balance funded by the ADP, which at the time of the final tender was £3.8m to be secured through negotiation of final documentation and agreement of the contract sum with the main contractor in January 2021 (the Heads of terms agreed with the ADP outlines funding of up to a maximum of £6.5m). CPCA funding is used for capital costs of the Phase 1 Building (excluding active IT equipment, which will be paid for by the ADP - CPCA have agreed with the ADP that all start-up costs will be paid for by the ADP). PropCo has been incorporated by CPCA as a wholly owned subsidiary following sign off of an Officer Decision notice (ODN) that will allow the transfer of the balance of LGF funds which have not been expended from the 1 April 2020 to the point of transfer to purchase shares in PropCo. (CPCA will set up a project bank account to allow transfer of funds).
Outcomes	Up to 2,000 students for the 2022/23 academic year, rising to 3,000 by 2024/25 and 4,000 by 2025/26 with an aspirational target (subject to availability of the necessary capital funding) of up to 12,500 students by 2030/31.
Design	Design has been based on an accommodation schedule within the agreed revised capital budget which currently exceeds CPCA available budget by £3.8m; which is to be provided by the ADP (see above) to meet their enhanced requirements.
Land	Clean title for land required to construct Phase 1 from PCC including indemnification from covenants and Rights of light.

The table below summarises the key dependencies that are outside the scope of the project on which its ultimate success depends:

Dependencies	
Adjacent development	Local transport projects and third-party development on land earmarked for future phases of the University.
Land	Additional land beyond that required for Phase one
Funding	Funding for future phases Phase 2, 'Advanced Manufacturing and Materials Research Centre/Innovation Hub' used for educational research and development (with no teaching taking place in the Phase 2 building(s)). Phase 3 will comprise plans for two further teaching-focused buildings to be constructed in two sub-phases with the first projected to open in 2025 and the second in 2028 (subject to the necessary funding being obtained).

Infrastructure risks

Risk Identification					Assessment					Mitigation				
ID	Title / Description (Cause)	Phase	CATEGORY Infrastructure or Higher Education Partner	Effect	Category	Unfunded	Cost Effect	Time Effect	Quality	Assessment	Management Plan	Action Owner	Due Date	Status
003	LGF Grant spend not occurring before the deadline of September 2020	Phase 1	Infrastructure	LGF Grant Funding is lost and lack of budget for the building expectations.	3. Commercial - Funding	2	5	5	4	50	LGF Monies delayed by September 2020 will reduce as long as we can demonstrate that we will spend the monies by September 2021. Finance needs to be incorporated with project fund account set up by end August 2020.	CPCA	01 Sep 20	1 On Track
074	Building Phase 1 cost exceeds agreed budget within ProcCo	Phase 1	Infrastructure	Unable to complete the building	6. Design	2	2	5	3	50	Ensure robust Fixed Price is agreed within the HQT agreement with ADP for maximum capital cost. Present Monies to agree mechanism in Main transactional agreement.	AI	01 Jan 21	1 On Track
056	Highways improvement and entrance improvement requirements	Phase 1	Infrastructure	Additional project costs	6. Design	3	3	4	2	48	widening by 1m design progressing no issues expected from PCC following early discussion	CPCA/ICC	01 Jul 20	1 On Track
069	Ability to achieve September 2022 opening date based on increased building size and changes to design	Phase 1	Infrastructure	Inability to open on September 2020 date.	4. Programme	3	4	4	4	48	Design team have been working to revise scheme in collaboration with CPCA and HEP provider. Pressures now on the design and procurement as float has been eaten up on the re-design. Review during RIBA 3 and SO	AI	01 Jan 21	1 On Track
073	COVID 19 - affects construction duration due to impact of social distancing/ and risk on supply chain supply and inventory	Phase 1	Infrastructure	Misses the 2022/23 Academic year	6. Design	3	4	4	4	48	Review with main contractor on Award of second stage under PCSA	AI	30 Aug 20	1 On Track

Academic Delivery Partner (ADP) risks

Risk Identification					Assessment					Mitigation				
ID	Title / Description (Cause)	Phase	CATEGORY Infrastructure or Higher Education Partner	Effect	Category	Unfunded	Cost Effect	Time Effect	Quality	Assessment	Management Plan	Action Owner	Due Date	Status
043	Inadequate engagement of local industry by ADP	Phase 1	ADP	Reduces benefit of university and undermines Financial and Economic case	8. Procurement	3	2	2	4	48	Partnership approach by members of UniCo and ProcCo and link up with other parties such as opportunity Peterborough	CPCA/ICC	01 Sep 22	1 On Track
067	Staff numbers in Academic and Professional services do not relate to student numbers as they are calculated as a % not in proportion to each other	Phase 1	ADP	Diseconomies of scale possible which could lead to lower margins	15. Operational	3	2	2	4	48	Current operational model based on flat figure that will be developed against curriculum model - this approach provides ADP with flexibility in the model	CPCA	22 Jun 20	1 On Track
075	Covid-19 - changes how ADP uses its physical assets to deliver its courses	Phase 1	ADP	ADP changes their teaching styles to suit COVID-19 effects	2. Commercial - Viability	2	4	4	4	32	Too early to determine if any change will actually occur. May need to consider size of spaces in the design. Add review of implications in FBC	CPCA/ADP	22 Jun 20	1 On Track
086	Operating model not sustainable	Phase 1	ADP	The Stable Financial Model forecast a target surplus of at least 10%; each academic year, where the ADP template rules a marginal surplus which reaches no higher than 0.3%; Relying ADP Operating model is not sustainable	15. Operational	2	4	2	1	32	CPCA/ICC to review opportunity in ADP model 6. review of covenant strength of ADP - Review with ADP minimum and maximum target range of surplus	CPCA	22 Jun 20	1 On Track
088	Staff to Student ratio higher than might be anticipated	Phase 1	ADP	Reduces Student Satisfaction	15. Operational	2	4	4	1	32		CPCA	01 Sep 22	1 On Track
089	Start up cost higher than SCM reduce surplus	Phase 1	ADP	Increases timeline of the breakeven point and could divert cost away from other activities that might be considered lower than anticipated in terms of function in the financial	15. Operational	2	4	2	2	32	Review with ADP minimum and maximum target range of surplus - flexibility with in the operating model built in by ADP	CPCA	22 Jun 20	1 On Track

1.4 Strategic fit of the ADP deal

The ITN Final Submission from the chosen ADP has been assessed against CPCA's objectives for the new University (see above). That submission provides a good strategic fit with those objectives. Moreover, the ADP has a strong regional presence and will work collaboratively with CPCA and other key stakeholders to achieve the stated objectives for the project. The ADP is one of the largest providers of degree apprenticeships in England, collaborating with over 200 partner employers to train over 1,000 apprentices (2019). It has seen growth in applications over the last 2 years in technology, combined sciences, combined arts, biomedical sciences, computer sciences and education subjects that exceed the HE sector as a whole. The ADP has a strong focus on attracting local students, with a high proportion of first generation HE students. Headline student population statistics for the ADP for the 2019/20 intake include:

- 79% of students UK domiciled (8% EU, 13% overseas)
- 72% undergraduates
- 79% full time and 21% part time

- 45% aged 18-24
- 44% of undergraduates are first generation HE students
- 30% identify as BAME students
- 6% studying degree apprenticeships

Over the last four years the ADP has consistently increased the proportion of students from low participation areas (38.2%) whereas the sector remained stable (27%). The ADP has significantly increased apprenticeships numbers from 416 to 1527 and applications for the ADP's existing courses in Peterborough continue to rise (in 2020/21 the increases were 21% for Nursing and 533% for Midwifery).

The ADP will be able to commence provision in the 2022-2023 academic year. The ADP has set out intake targets that are consistent with the volume of students sought for the new University by CPCA, although to meet the target student numbers a fourth faculty, Health and Education, has been added through the transfer of students from the ADP's existing provision at the Guild House, Peterborough. This transfer of existing students means the net increase in intake will fall below CPCA's initial aspirations with corresponding (albeit modest) impacts on the economic case (see section 2 below). Growth of the University is planned in a phased manner in line with the capital funding available for the phase 1 physical campus, with the proceeds of the potential Guild House sale being committed towards future development phases.

The ADP has made a commitment to securing Office for Students registration for the new University for the 2022-23 academic year, with an interim name of the new University, alongside a longer-term aspiration become the "University of Peterborough" by September 2032, subject to conditions for transition being met.

The nuances and practicalities of the agreement with the ADP inevitably generate risks that could adversely impact on achievement of the project objectives, in particular:

- The longer-term student forecast contains a lower volume of students than anticipated in the Outline Business case (OBC); 5,176 FTEs compared to the original aspirational target of 12,500 by 2030-2031. Given concerns about the market, particularly in the light of Covid-19, this represents a reasonable level of caution. The ADP's shared service model also helps to minimise costs as a potential mitigation for reduced student numbers, should that risk materialise.

Equally, as set out in section 3.3, the impact of Covid-19 could lead to higher numbers of students studying from home, which fits well with the business model for the new University and could, therefore, deliver student numbers in excess of those included in the ADP's forecasts. This is further supported by the ADP's analysis of HE demand for the region, which predicts an increase in the number of 18 year olds over the next 5 years and therefore, even with a static participation rate of 44%, the number of students entering HE will increase (by 13% to 6,105 in 2025). With a participation rate of 47% (the England average) student numbers rise by 20% to 6,521 in 2025. Higher levels of growth could lead to a shortfall in capacity during phase 1.

As described in section 3.3, the ADP is well placed to ensure that the new University's offer is responsive to the demands of employers and students alike; the ADP's proposed curriculum model fits well with early indications of growth in demand for HE arising from the impacts of Covid-19 (e.g. in health and care). Its existing infrastructure and approach enables a flexible

and agile approach to planning and delivery including blended learning models, bespoke employer-led degrees and Degree Apprenticeships and options for increased remote/distance learning if campus capacity is reached before further development phases are available. Covid-19, therefore, presents both threats and opportunities for HE in Peterborough.

- The proposed curriculum and segmentation of forecast student numbers deviates significantly from the Shadow Curriculum Model underpinning the OBC. The ADP's proposals envisage a much higher proportion of students on campus relative to the total target student population. This may reflect a more traditional model of delivery than envisaged in the OBC, which in turn, risks a deviation in focus away from serving under-represented groups in HE such as those who cannot or will not travel to existing providers. Accordingly, CPCA will keep under review the ADP's recruitment plans to ensure that course selection is not unduly or unrealistically competing with other institutions and to determine whether appropriate measures are being taken to reach under-represented and local groups of students. Moreover, CPCA recognises that if provision relies on a higher proportion of on-campus teaching, the resulting capital and funding implications may prove to be unaffordable (particularly for future phases). CPCA will, therefore continue to encourage and support the ADP to ensure that phase 1 establishes a coherent recruitment strategy and sustainable curriculum/delivery model, including further development of the strategy for engagement with local businesses to ensure that provision meets the needs of the region rather than excessively relying on the 'import' of students from out of region. Moreover, as described in section 3.3, the impacts of Covid-19 provide further opportunities to explore new business models and modes of delivery and the ADP is well placed to do so given its existing infrastructure, low reliance on buildings and agile approach to course development.
- The marginal surplus generated by the Operating Model proposed by the ADP (see section 4 below) is unlikely to create sufficient reserves for future capital investment or adequate headroom to underpin borrowing for building projects in line with aspirations for future growth phases. CPCA has developed a strategy to secure the funding required for phases 2 and 3 of the new University (expected to require £18m and £50-80m respectively). The cornerstone investments for phases 2 and 3 are being sought from governmental sources (phase 2 from accelerated access to the £387m national LGF pot for 2021/22), which will leverage additional investment from a combination of some or all of the following: institutional investors; international business angel networks; local pensions schemes; equity-based crowdfunding; larger local business willing to provide forward commitments of revenue funding in the form of sponsored, fee paid and apprenticeship levy funded student volumes; and Peterborough City Council through the contribution of further land on the campus site.

These and other financial case risks are assessed in more detail in section 4, together with a sensitivity analysis of the financial model, together with possible mitigations. In particular, the lease of the phase 1 facilities to the new University will include a right for PropCo to terminate it or step into UniCo if UniCo or the ADP are making insufficient progress. The Collaboration Agreement will include terms to ensure an organised termination of the ADP's involvement with UniCo, provided always that UniCo will remain entitled to occupy the facilities on a rent-free basis during the period required to teach out students enrolled on the ADP's courses in Peterborough. The transactional documentation will also include further

remedies for any failures by the ADP to achieved the plans set out in those documents including ADP working with CPCA, PCC and PropCo (with the aspiration for there to be a long term continuing relationship between the new University and the ADP beyond the achievement of University Title to support the long-term sustainability of UniCo as a university) to:

- establish an investment model for UniCo to meet the initial start-up costs and fund/finance the working capital requirements. The forecast £5.4m shortfall in funding to support the start-up costs for the new University is to be funded by a loan from the ADP to UniCo, assumed to be repayable at a rate of 2.5% over 5 years;
- establish a viable business model and financial framework for UniCo that will secure its independence;
- create a strategy for UniCo to be implemented by PropCo that will ensure it is able to maintain the quality of its estate and underlying assets;
- ensure the financial model for the new University can support any annual repayment requirements;
- ensure that UniCo is not reliant upon levels of financial support beyond tuition fees and earned income and that to the extent that it is required to borrow, its gearing does not adversely affect its ability to maintain a sustainable and viable financial model as required to meet the initial and ongoing conditions of registration as a higher education provider with the OfS; and
- create a sustainable growth strategy based on reinvesting surpluses to identify and leverage new opportunities for taught programmes, research and knowledge transfer (see above outline of CPCA's strategy to secure funding for phases 2 and 3 of the new University).

In summary, therefore, the deal agreed with the ADP fits with the strategic objectives for the project. However, material risks remain that will be managed so far as possible through the contractual terms, the governance arrangements and ongoing positive relationships between the public authorities and the ADP through the delivery phase of the project to ensure continued confidence (not least given the uncertainties and opportunities arising from Covid-19) that the ADP will be able to deliver a sustainable new higher education provider that has substantial economic impact, a positive regenerative effect and a transformational effect on the life chances and well-being of its students.

2 Economic Case

2.1 Option identification

Critical success factors (CSFs) for the project can be grouped into three broad headings:

- Factors relating to the selection of an Academic Delivery Partner (ADP) of appropriate standing.
- Factors relating to the development of the University (after appointment of an ADP)
- Factors relating to the design and delivery of the physical infrastructure.

2.1.1 Critical success factors

ADP Selection CSFs

1. **Academic Standing:** The Academic Partner must be able to demonstrate means of compliance with the full requirements of “Securing Student Success: Regulatory Framework for Higher Education in England” published by the Office for Students (www.officeforstudents.org.uk).
2. **Commitment to CPCA Vision: scale, scope, reach, focus:** The aspirations of CPCA for the new University are extensive and include characteristics relating to:
 - a. the character of the provision (outward-looking and industry-focused);
 - b. scale (up to 2,000 students for the 2022/23 academic year, rising to 3,000 by 2024/25 and 4,000 by 2025/26 with an aspirational target - subject to availability of the necessary capital funding - of up to 12,500 students by 2030/31); and
 - c. subject to the conclusions of comprehensive review by CPCA and the ADP, securing Unlimited Degree Awarding Powers following the 2028/29 academic year with eligibility to apply to OfS for university title (as the "University of Peterborough") in accordance with the Framework by the beginning of the academic year 2031/32.
3. **Achievement of a Viable Operating Model and Sustainable Funding Structure:** The new University will focus on a limited number of initial discipline choices to create a portfolio of courses which can achieve critical mass. This will ensure that:
 - a. Each discipline area is underpinned by a minimum scale staff team to avoid the challenge of having staff spread over too many disciplines and being too few in number in some disciplines to build a critical mass of teaching and research capability (the “minimally viable department size”).
 - b. Each discipline will be able to recruit a viable cohort of students such that the numbers of students recruited when all years of provision are running will be economically viable and capable of supporting an efficient staff to student ratio (the “minimally viable intake”).
 - c. Each discipline is supported by the physical resources necessary to maintain the quality of the experience and to enable the new University to establish a clear funding model to underpin investment in, and maintenance of, its facilities.
4. **Commitment to the Phase 1 Brief and Design:** CPCA leading on developing the new University campus Building at the Embankment Site which has been updated following input from the ADP to reflect their curriculum proposals and investment in the build, and matching those to the revised accommodation schedule to be delivered in phase 1.

Factors relating to the development of the University

5. **Ability to Recruit Staff:** The quality of the University will be critically dependent on the calibre of its staff. Recruiting and retaining staff within the new University will be the first critical challenge for the ADP.
6. **Ability to Recruit Students:** Student recruitment, marketing and admissions processes and systems to include UCAS support, direct entry and employer-sponsored routes are vital to the success of the new venture. It is anticipated that the focus of these services will be positive, proactive, out-going and engaging to reach out to under-represented groups, to engage with their needs and win their active participation in the University
7. **Ability to engage with local businesses and industry:** Large corporates represent a significant group of stakeholders with which the new University will need to interact as a priority and will present an opportunity for both course development, industrial collaboration/placement opportunities and future employment destinations for graduates. Building effective networks with these large corporates will be a critical success factor for the University.
8. **Curriculum Development to Fit the Target Market:** The ADP will need to support fully the curriculum from inception to maturity and retirement/renewal of individual courses and the support required may also include learning technologists and materials production services to support blended and distance learning, enabling of virtual learning environments etc., in particular to ensure the agility and flexibility required in the wake of the impacts of Covid-19.
9. **Creation of the Academic Infrastructure:** Student and academic services and systems will need to be established to provide a full range of transactional, advisory, welfare and other student-facing services along with regulatory and academic policy support including assessment, examinations, and graduation. Library and learning resources, operational and support functions all need to be provided. To achieve its ambitions of obtaining degree awarding powers and University Title, the new University will need to employ its own teaching staff and for it to have its own academic governance arrangements independent of the ADP.
10. **Establishment of systems and processes locally to achieve independence:** Strategic planning, finance and governance services and systems development – full Head Office/Vice-Chancellor's Office functions – need to be established to lead the new University through its start-up and establishment phases and to prepare the ground for full independence.

Factors relating to the design and delivery of the physical infrastructure

11. **Meeting the Budget:** The Phase 1 building including the external landscape and supporting infrastructure must be delivered within the budget of £28,599,600 million based on £24.8m CPCA Funding, now secured by CPCA (made up of £12.3m CPCA and £12.5m LGF) with the balance of £3.8m funded by the ADP, to be confirmed on agreement of the fixed price as part of the main contractor procurement in January 2021. It should be noted that the design has been developed to meet the revised budget on the basis of the £3.8m funding from the ADP. This will need to be achieved by balancing the quantum, time and quality aspects of the project to ensure that the size of the building is maximised to accommodate the necessary student and staff numbers with reasonable space standards; is of a good quality to attract students, academics and create a strong identity within the city and region; perform well

sustainably and in-use minimise operational costs and can be built efficiently within the set programme.

12. **Meeting the Programme:** The Phase 1 building must be open for business to students in September 2022. This will need to be achieved by a detailed programme management that will correlate all key interdependencies, such as achieving planning consent, design freeze, tendering and procurement etc, in addition to delivering an efficient building form and utilising readily available components that will minimise the risk of construction over-runs. The master programme assumes the following critical path milestones are achieved to meet this key Milestone:

- a. Award of ADP June 2020.
- b. Planning application submitted in July 2020 for determination in September 2020.
- c. FBC approved in July 2020.
- d. Main Contractor enters into a pre-construction service agreement and commences design and agreement of contract sum In August 2020.
- e. CPCA/ADP and PCC sign Main Transactional Agreements in August 2020.
- f. Main Contractor agrees contract sum in January 2021.
- g. Completion for operation in September 2022

The above dates do not allow for any further delay arising as a result of Covid-19 impacts on the construction programme.

13. **Delivering the Spatial Brief:** The Phase 1 building must deliver the spatial requirements and the student and staff capacities emerging from the updated curriculum model provided by the ADP ensuring that the spatial standards used deliver a good quality student and staff experience and support pedagogic innovation.
14. **Ability to Expand:** The Phase 1 building must be designed and located to enable a clear strategy for future expansion as the campus grows to capacity by 2032. The project must deliver a clear logistics strategy that seeks to minimise impact on operational buildings during the building of future phases, and critically the experience of students and staff using these buildings.
15. **Respond Positively to Stakeholder Consultation:** The Phase 1 building, and wider masterplan, must respond to the output from a wider stakeholder consultation to ensure a project that can be delivered successfully and one that achieves a high-level of 'buy-in' within the city and region without detriment to budget, programme or operational aspects of the project. This will be critical both for the successful delivery of all phases of the project to 2032 and to ensure that partners in the city and region are supportive of the University as it develops.
16. **Obtaining Planning Consent:** The Phase 1 building must achieve planning consent by end of September 2020 to meet the inter-related requirements of the project programme and open for business in September 2022. This will need to be achieved through a close and collaborative working partnership with the local planning authority and the ADP identifying issues early to inform the design process and minimise the risk of a refusal and pre-commencement conditions.

17. **Attract and Retain Students and Staff:** retaining the higher value knowledge transfer within local networks and businesses. The Phase 1 building – including its external landscape and supporting infrastructure – must be designed to a good quality and have a strong identity or ‘brand’ that will attract and retain students and staff. This will be achieved through good quality architecture, building services, IT/AV systems and landscape and will be critical to ensure good feedback from the early student intake to support the growth of the University in the years ahead.
18. **Be Adaptable and Flexible:** The Phase 1 building, including its environmental systems, must be designed to be adaptable to respond the changing needs in the future, including the input of the HE provider, and changes in the spatial requirements as the University grows and develops. In addition, the building should be designed to be flexible providing ‘generic’ spaces that can accommodate a range of functions – from teaching and learning spaces to administrative spaces – and support a range of capacities, pedagogical styles and working environments with minimal alterations to the physical asset.

2.1.2 Options

Academic delivery options

Four options have been identified for consideration in the economic case in the Outline Business Case as follows:

1. **Business as Usual:** in this option the public sector stakeholders adopt a passive role in the development of university level education in Peterborough. The two current providers of Level 6 qualifications in Peterborough (see section 1.2.4 above) would continue to develop course provision and student numbers unassisted by local public sector stakeholders. These current local providers include: (i.e. UCP providing around 500 qualifications per annum and the ADP providing around 400 qualifications per annum).
2. **Do Minimum:** in this option the public sector stakeholders would invest in capability building of Peterborough Regional College, to build both course content and delivery capability, as well as systems and processes to enable PRC to achieve Taught Degree Awarding Powers (and perhaps University Title in due course), but without any capital investment in new facilities on the Embankment site.
3. **Recommended Option:** in this option the public sector stakeholders’ investment is targeted to tackle the characteristics of the addressable component of the current market failures in HE provision in Peterborough (the “cold spot”). That investment will be targeted at infrastructure provision and capacity building, by procuring an experienced Higher Education (HE) Provider, with the know-how to facilitate the development of an independent University for Peterborough, with capital investment focused on the provision of the premises from which to provide both direct and indirect curriculum delivery.
4. **Do Maximum:** in this option the public sector stakeholders’ investment would be scaled to found, *ab initio*, a new University of Peterborough on a model similar to those founded in the 1960s (the so-called Robbins Institutions).

The following subsections present a summary analysis of these options against the project aims and objectives, including indicating:

- Any options likely to fail to deliver the project objectives or sufficient benefits.
- Any obvious impracticalities inherent in any of the options.

- Any options that are clearly unfeasible, unaffordable or too risky

Business as Usual

The economic analysis of this option includes no local public sector stakeholder investment and forecasts student number growth at levels commensurate with those observed in the two local providers over the last 5 years. However, it is considered highly unlikely that without any investment or wider strategic leadership, the incumbent and existing providers can change direction sufficiently to meet the needs of the City and region as set out in the strategy case above. It would continue the current disjointed provision and suffers from the limited local capability and capacity highlighted in the Ofsted finding that PRC “Requires Improvement”. It would not therefore achieve the objectives adopted for the project and is included in the economic appraisal primarily as the baseline against which to assess other options. In reality there is no do-nothing option that has any credible possibility of achieving the desired economic and social impacts.

Do Minimum

This option is based on the previous strategy of investment in building the capability of UCP/PRC to develop Taught Degree Awarding Powers, without accompanying capital investment in new facilities. It includes support for project management, curriculum development and marketing. Based on the findings of the Gleeds review, it is considered likely to under-perform against the project objectives, thus perpetuating the HE “cold spot” and not addressing regional needs. As with the Business as Usual option it would continue the current disjointed provision and not address the Ofsted findings regarding PRC’s capability and capacity issues. Nevertheless, this option must be included in the economic appraisal as the only available do minimum option.

The economic analysis of this option includes revenue investment from the CPCA in PRC capability building at a level of £1,000,000 per annum over the next three years. This is based on the levels of investment previously committed to develop Taught Degree Awarding Powers for PRC, which had anticipated approximately £2.73 million further investment in PRC over the next 3 years (with an uplift for optimism bias and contingency). The quantifiable costs and benefits of this options are explained in further detail in the economic appraisal presented below.

Recommended Option

This option is as described in the strategic case sections above and includes both capital investment in new facilities on the Embankment site and potential revenue investment to mitigate commercial risks of the start-up and scale-up phase of a curriculum that meets local economic needs and local student demand. The focus of the strategy underpinning this option is to increase HE provision in Peterborough and increase the number of HE entrants from the north and north-east of the CPCA region by attracting and retaining students locally (after graduation). In particular, it aims to engage people who do not currently participate in HE but who would participate and remain locally if suitable provision was available and to use flexible modes of delivery to compensate for the characteristics of the region (particularly sparsely populated rural areas). As described above the key characteristics of the new University in this option include:

- A clear focus on under-represented groups and those who do not travel to existing providers.
- A limited physical experience on a modest initial campus development.
- A phased approach which evolves with the needs of the region.

This option does not target conventional markets. The ADP will use a Digital first approach including development of their website for the new University, which will be incorporated into the ADP’s undergraduate prospectus for the 2022 entry.

In practice, serious resource constraints are not a barrier to success; most innovation is born in the balancing and breaking of constraints. This principle is fundamental to the design of the New University.

The approach is to secure the involvement of a new ADP to bring the know-how to create a new University experience, to invest modestly in a new University building on the Embankment site and to focus attention on engaging with the local businesses to design an offer that addresses the needs of the region. This option has arisen from the Gleeds review referred to above, which concludes that it is a credible and viable option for delivering the new University objectives within the required timeframes.

The economic analysis of this option includes new capital investment from all three local public sector stakeholders to the level of £24,800,000 along with provision of land by PCC (valued at £1.87m) and an anticipated £3,800,000 investment from the ADP to fund the building of a university building. Revenue and working capital requirements of the new University itself will be matters for the ADP to finance based on anticipated revenues from tuition fees and other income. The intention is that the initial capital investment will fund capital works, with the ADP investing their own capital in start-up costs and establishment of a financially sustainable new university without the need for on-going subsidy. The quantifiable costs and benefits of this option are explained in further detail in the economic appraisal presented below.

The capital cost associated with the provision of teaching space and associated infrastructure has been estimated by CPCA/PCC and ADP within the assumed budget of £28,599,600 and on which basis the design has been developed. The budget is based on £24.8m CPCA Funding, secured by CPCA (consisting of £12.3m CPCA and £12.5m LGF) with the balance funded by the ADP, which is to be secured on signing of the main transactional agreements and agreement of the contract sum with the main contractor in January 2021 (at the time of the final tender this ADP contribution was estimated as £3.8m and the Heads of Terms agreed with the ADP include the prospect of ADP capital funding up to a maximum of £6.5m). In addition to the capital investment of up to £6.5m by the ADP, the ADP has made provision for start-up costs and subsidy to sustain ongoing operations. Further capital investment has been planned by the ADP for provision of IT and AV active equipment within the start-up costs.

The underlying objective is to ensure fee income generated from the intake of students will be sufficient to sustain ongoing operations and will permit short-term financing of operational working capital requirements.

Do Maximum

It is conceivable that the new University of Peterborough could be developed on a model similar to those founded in the 1960's, the so-called Robbins Institutions. The target markets for the University would include those students who already travel out of region (and potentially, a proportion of the national market which currently travels to study) and who would consider a new offer based in Peterborough; i.e. the conventional market for HE which has evolved over the last decade with increased participation rates, a focus on progression routes and a balance between local recruitment and, usually, a residential experience. Competition for these students is very intense and recruitment routes via UCAS and marketing methods are exceptionally well-developed. The new University would need to establish itself very rapidly to compete directly within this market.

The following factors in particular consideration rule this option out of further consideration in the economic appraisal:

1. The new University would need to have a prospectus ready by April 2021 to meet the timescales set out in the objectives for the project. Applications for entry in September 2022, will open in September 2021 and close around mid- January 2022. Any student seeking to attend a UK University will have been exploring options during 2021. The period from April to September 2021 is a critical marketing window for the 2022/3 intake. To be able to make a competitive offer, the new University would need to have its core provision established to a high level of detail. It is not considered possible that the development work on a new University of this scale could be completed in sufficient detail and with adequate rigour to have a credible prospectus ready during the early months of 2021.
2. To compete directly with established providers, the new University would have to offer a minimum level of staff and facilities to attract the attention of prospective applicants (this is not the same as attracting entrants given that there is considered to be over-supply in the sector now that student number controls have been removed). At the very least, there would be an expectation among prospective students about the range of facilities to be provided on campus including general and specialist spaces, social learning and library spaces, campus catering and retail outlets. A high standard of competitive residential accommodation would be necessary, and students are increasingly expecting a level of service from campus-based services both transactional/regulatory (Registry functions) and pastoral (counselling, well-being etc.). While many of these functions will be necessary in any institution, the critical challenge would be to establish a critical mass of such facilities to compete with established providers. The reference point is the “competitive set” and, for students already travelling, the “evoked set” will include a large number of institutions with a well-established, well-resourced and highly credible offer. It should also be noted that staff expectations of the new University will also be relevant here in that competing directly for staff with established providers will inevitably raise questions of providing from the outset the research infrastructure to support their work.
3. There are severe resource constraints that limit the strategic scope for developing a new University. While competing directly for students would reflect a trajectory recognisable to most Universities today, many established institutions and those formed in the 1960s benefited from an ambition to raise participation rates. They did not directly compete but benefited from a general expansion of the market. Moreover, their development timescale was very much longer and it is only comparatively recently, and with the benefit of a legacy of generous funding, that Universities are experiencing challenging open market competitive dynamics. Space requirements is one example of this phenomenon. Many universities benefit from an academic estate which reflects a traditional model of higher education (more elite, less consumerist) and is a legacy of the associated funding model (generous public capital and revenue funding). A full-service institution serving c. 2,000 students would likely need a campus area of c. 19,000 m² on opening to appear competitive with established providers (not including onsite residential provision which could easily reach a similar scale). The underlying capital required to invest on this scale would be at least need £94 million and, in all probability, a lead time of at least 5 years to ensure that all aspects of the provision were planned to a competitive and credible standard. To expand the new University to potentially 12,500, as envisaged in the medium-term vision for a new University of Peterborough, would therefore, likely require upward of £500 million of up-front investment.

Therefore, the Do Maximum option has been ruled out on the grounds of affordability (only a fraction of the required funding is available), inability to meet the required timescales and lack of credible strategy (the above strongly suggest that the initial strategy should not be designed with a view to importing students to Peterborough; the competitive dynamics and resource implications are far too severe).

Infrastructure (phase 1 building location)

An option appraisal has been undertaken to assess the best location for the Phase 1 building within the overall site boundary of 55 acres. Prior to undertaking the detailed assessment, it was agreed that all feasible options must:

- be deliverable within the title constraints of the site in the given timescales;
- be located with land zoned in the Local Development Framework as reserved for University;
- avoid substantive alterations to existing infrastructure or facilities;
- be able to accommodate a minimum of 5,300m² of space (space driven by assumed budget referred to in financial case); and
- be deliverable within the assumed budget of £28,599,600 million based on £24.8m CPCA Funding (see above).

The infrastructure options appraisal has been undertaken only in relation to the cost of the physical infrastructure to enable the plot (services to the plot, decontamination of the plot and the area of the land for accommodating car parking and landscaping) on the basis that the other costs of the build will be the same in all options⁶.

All options considered deliver the desired outcomes of the project given that the use/scale of the building is the same for each option. A summary of the appraisal of the site options considered is provided below.

Given that the variable across all options is constrained by the available budget and only varied by the site infrastructure any option that might exceed the budget has not been considered.

Infrastructure options have, therefore, been assessed based on their ability to meet some or all of the criteria described below. These requirements identified that four possible locations were feasible:

⁶ given the structure of the Heads of Terms (see below) any saving on the land value purchase will not increase the available capital to spend on the building; however this does detract from the available capital to deliver phase one building.



- A - Worrina Car Park;
 B – Bishops Road;
 C – NW corner
 D- Opposite the Regional pool

Further details of all four options A- D are provided in Annex 6.2 together with a summary of the assessment of each option against the criteria outlined below:

- Meets the spending objectives for the physical infrastructure to enable the plot (services to the plot, decontamination of the plot and the area of the land for accommodating car parking and landscaping) pending confirmation of assumptions on contamination and services infrastructure capacity (surveys currently underway).
- Meets or exceeds all other criteria over the other options.
- Good opportunity to allow expansion of future phases.
- Well served by existing infrastructure with services available within the site vicinity and an existing “bell mouth” road access in place. The site is serviced by an existing car park that provides the opportunity for re-use or repair thus reducing the financial impact.

The assessment was informed by a full desk top analysis of the constraints and opportunities of the site and each option was assessed against several key criteria agreed by the project team as noted below:

1. Heritage impact
2. Title impact
3. Visibility / Identity
4. Access to city amenities
5. Cost impact (infrastructure + public realm)
6. Landscape impact
7. Geotechnical
8. Impact on residential
9. Campus growth
10. Logistics (Construction)

Preferred option

Option A (the Worrina Car Park) remains the preferred option and can accommodate the increase in building size from 3,500m² to 5,300m² required to accommodate the ADP’s curriculum proposals with an increase in funding required (to £28,599,600), noting that the current available funding from CPCA is £24.8M with a balance to be provided by the ADP. This site has the following clear benefits:

- The increase in building area to accommodate the size of building to meet the requirements of the ADP curriculum can be contained within the phase one site.
- The Phase 1 Building which achieves the desired outcomes within the budget of £28,599,600.
- Maximises available capital for building.
- Good visibility (identity) and accessibility to/ from the city centre.
- Minimises expenditure on infrastructure and external works.
- Minimises impact on adjacent residences.
- Minimal ecological impact on the existing site.
- Supports a logical growth of the campus in future phases, minimising disruption to phase 1.



2.2 Value for money

2.2.1 Economic appraisal

There are broadly three direct quantifiable benefits from the proposed options:

1. Increased employment as a direct result of the creation of the University as staff are recruited by the new institution.
2. Employment created in the wider economy as an indirect result of the creation of the new University.
3. Graduate level employment that rises as new graduates enter the workforce and graduate level jobs are created or attracted to the region.

Economic appraisals of the Business as Usual, Do Minimum and Recommended options have, therefore, been conducted on the following basis:

- a. Direct staff employment follows the forecasts from the ADP's final tender document. For the purposes of the appraisal, all forecasts assume only Phase 1 costs and student numbers.
- b. Indirect employment is anticipated to be 200% of the direct employment reflecting the buying power of the institution, its staff and its students.
- c. Average GVA per employee for direct and indirect jobs created is estimated at £42,000.

- d. Average graduate salary in 2018 is 34,000, average non-graduate salary is 24,000. Grad salaries inflate at 3.5% per annum, non-graduate at 2.5%. GVA from graduate employment is calculated as 161% of total salary uplift (difference between graduate and non-graduate earnings).
- e. For the Do Minimum option, further growth is projected arising from the proposed intervention (+1%) making the combined growth factor +3% above the baseline.
- f. The expectation is that all qualifying graduates will enter a job attaining the average graduate salary (average of salary for all UK workers with a degree-level qualification or above) and thereby contribute the associated GVA (total cumulative GVA is forecast on this basis).
- g. Additional corporation tax revenues from enhanced GVA are forecast at 1.36% of the GVA generated.
- h. PAYE from new jobs created has been estimated based on tax rates for 2019/20 per graduate level job.
- i. National Insurance Contributions from new jobs has been estimated at 11.1% of salaries per employee

The key Inputs for each option are summarised in the table below:

Input Costs (Fiscal Costs)	Business as Usual	Do Minimum	Recommended
Capital Investment	£0.00	£0.00	£24,800,000
Revenue Investment	£0.00	£3,000,000	£0.00
Land Value	£0.00	£0.00	£1,870,000
Total Fiscal Costs	£0.00	£3,000,000.00	£26,670,000.00

The economic appraisal analyses and the outputs from each are provided at Annex 6.3. The key outputs from these appraisals are summarised in the table below:

Appraisal Outputs	Business as Usual	Do Minimum	Recommended
Total Net Present Benefits	0	£7,793,658	£414,604,165
Total Net Present Costs ⁷	0	£2,844,500	£25,073,715
Net Present Value	0	£4,949,158	£388,652,870
Benefit Cost Ratio⁸	N/A	3	16

2.2.2 Risk appraisal

The key risks with respect the economic appraisal all lie in the ability of the ADP to deliver the predicted student numbers contained in their final tender and reviewed in more detailed in this Full Business Case.

The economic appraisal is vulnerable to fluctuations in the numbers of students recruited and graduated by the University as highlighted in the sensitivity analysis below. The ability to recruit locally based staff may also be a factor that erodes the impact of the new University. A further concern could be the extent to which graduate level employment is available locally and whether the

⁷ CPCA grant only rather than total public sector contribution.

⁸ Given by Net Present Total Benefits/Net Total Costs

new University is able to generate the scale and quality of graduates required to meet local economic needs. These sensitivities have been tested and the net impacts reported below.

The impacts of Covid-19 on student numbers are, as yet, unclear, with factors that point simultaneously to both short term reduction in intakes and potential increases in demand for local provision if students are less willing/able to travel. A more detailed assessment of the potential impacts of Covid-19 impact on the ADP's proposed business model is provided in section 3.3 of this FBC.

The ADP has also provided an analysis of HE demand in the region, which predicts an increase in the number of 18 year olds over the next 5 years leading to a 13% increase in students entering HE by 2025 with a static participation rate of 44%, and a 20% increase if the participation rate grows to the England average of 47%. Further demographic analysis suggests also that this new demand is likely to be from groups who are more likely to stay in the region to study and then subsequently to work.

2.2.3 Preferred option

The economic appraisal of the three options presented above shows that the Benefit Cost Ratio (BCR) for the recommended option still far outstrips the alternatives. This review confirms the recommended option as the preferred option in this Full Business Case.

In the Outline Business Case the BCR was 46 with a total Net Present Benefits estimated to be just over £1.1 billion. These are primarily derived from the forecast for student numbers which was estimated to peak at just over 12,500 by 2028. The Full Business case is based on the ADP's final tender document and assumes just over 5,000 students by 2028, thus the Net Present Benefits have reduced accordingly to just over £400 million.

The preferred option delivers a Benefit Cost Ratio of 16 based on current costings and student numbers. While this is a significant reduction from the value in the Outline Business Case, it is still an exceptional return according to government guidance and benchmarks which defines the VfM category as:

- Poor VfM if the BCR is less than 1.0;
- Low VfM if the BCR is between 1.0 and 1.5;
- Medium VfM if the BCR is between 1.5 and 2.0;
- High VfM if the BCR is between 2.0 and 4.0; or
- Very high VfM if the BCR is greater than 4.0

However, reducing this project to a simple BCR number belies the fact that the success or failure of this investment in Peterborough, relies on many factors. Simply assuming that such a high BCR value assures its success can lead to a false sense of comfort. The Economic Analysis is only one part of a well-informed decision.

2.2.4 Sensitivity analysis

In light of the risks outlined above, sensitivity testing has been carried out by adjusting key variables as follows:

- 50% reduction in staff and student numbers (NB: as staffing levels are forecast on a student-staff ratio, a change in one variable inevitably affects the other). There are further consequences for indirect employment that are also a function of the scale of the University.
- Complete elimination of the effects of new graduates entering the market.

The key outputs from these appraisals are summarised in the table below:

Sensitivity Tests	Recommended Baseline	Sensitivity to 50% drop in numbers	Sensitivity to failure to create graduate jobs
Total Net Present Benefits	£414,604,165	£207,302,083	£92,965,915
Total Net Present Costs	£25,951,295	£25,951,295	£25,951,295
Net Present Value	£388,652,870	£181,350,787	£67,014,620
Benefit Cost Ratio⁹	16	8	4

Therefore, even allowing for these significant risks, the preferred option outperforms the other options and a strongly positive net present value and BCR is sustained. Therefore, there remains a strong economic case for investing in the new University in line with the recommended option to generate direct and indirect benefits for the region.

Further testing has been carried out to determine the impact of a substantial cost over-run on the construction of the phase 1 Building. The outcomes from this appraisal, which tested a doubling of the construction costs, are set out in the table below:

Sensitivity Tests	Recommended Baseline with Construction Costs Doubled	Sensitivity to 50% drop in numbers with Construction Costs Doubled	Sensitivity to failure to create graduate jobs with Construction Costs Doubled
Total Net Present Benefits	£414,604,165	£207,302,083	£92,965,915
Total Net Present Costs	£51,902,590	£51,902,590	£51,902,590
Net Present Value	£362,701,575	£155,399,492	£41,063,325
Benefit Cost Ratio¹⁰	8	4	2

The benefits are not particularly sensitive to even very significant rises in the cost of the phase 1 building (although naturally any cost over-runs will challenge the basic affordability of the scheme).

A critical point to note is that the key benefits stem largely as function of the ambitious student growth projections (which reflect market needs). Only this factor will generate a significant direct and positive economic impact. The critical sensitivity is therefore the extent to which the ADP can commit to delivering the project objectives and bringing the know-how and capabilities necessary to deliver this ambitious agenda.

⁹ Given by Net Present Total Benefits/Net Total Costs

¹⁰ Given by Net Present Total Benefits/Net Total Costs

3 Commercial Case

3.1 Structure of the deal

3.1.1 Procurement strategy

Academic Delivery Partner (ADP)

As a publicly funded project the selection of the Academic Delivery Partner has been subject to statutory public procurement regulations and must adhere to stipulated requirements. Prior to adopting an appropriate strategy, the key client deliverables and key outcomes identified several areas which must be satisfied, namely:

1. Timeframe: CPCA required the procurement of the ADP at the earliest opportunity to inform the design of the phase 1 building and for approval of Full Business Case.
2. Complies with public procurement processes and in line with CPCA procurement guidelines.
3. Seeks formal feedback from the marketplace to ensure formal expressions are received on which the procurement process can be progressed.
4. Provides the best opportunity to allow dialogue with the bidders on the proposed solution.
5. Allows sufficient time to prepare documentation to publish formal procurement processes. (which includes details of the tender processes at publication).
6. Establishes an option should only one tenderer be interested. As a general rule, the procurement of goods, services and works non-competitively directly from a sole provider should be avoided where possible. However, it is recognised that in some instances, a single source tender is appropriate and can be justified in the context of the regulations. The regulations permit clients to negotiate contracts otherwise caught by those rules without placing a contract notice or running any form of competition in certain limited, very narrowly defined, circumstances in which it is considered not appropriate, or not practicable, to have a competition. This is referred to as “the negotiated procedure without prior publication”. The specific exemptions are contained permit clients to negotiate the purchase with a single provider.
7. A procurement that allows negotiation due to the specific nature, complexity or legal or financial make-up of the contract or the risks attaching to it.

Following consideration of all OJEU procurement options (Open, Restricted, Competitive Dialogue, Competitive with negotiation and Innovation partnership) the Open, Restricted and Innovation partnership procedures were discounted due to their unsuitability for procurement of the ADP on the following basis:

- Open procedure – Most suited for simple procurement of commodity products which do not require a complex tender process. Due to the bespoke needs of CPCA this option was discounted.
- Restricted procedure – discounted on the basis that there is no ability to alter the specification or for further negotiation with tenderers. The use of pre- and post-tender negotiation under this procedure is strictly prohibited, and therefore discounted as it would not serve CPCA’s best interests.
- Innovation Partnership – More suited towards establishment of long-term partnerships which allows ongoing development and subsequent purchase of new and innovative products, with initial tender proposals based on limited high-level information. This did not meet the requirements or aims of securing an academic delivery partner.

Upon review of the remaining procurement options available, the preferred strategy for the procurement of the ADP was developed on the following basis:

- **Publication of a Prior Information Notice (PIN)** and associated Advert in the Education press (see cambridgeshirepeterborough-ca.gov.uk/news/hunt-for-higher-education-partner-to-support-development-of-new-trailblazer-university-of-peterborough/) as a call for competition requiring all interested operators to inform the contracting authority of their interest in the Contract. Stating that the Contract will be awarded without publication of a further call for competition. CPCA also published the PIN notice.
- Following expiry of the PIN the Combined Authority progressed with a **Competitive Procedure with Negotiation**.
- The Competitive Procedure with Negotiation was proposed for the selection of the ADP on the basis that:
 - Suppliers can be prequalified based on their financial standing and technical/professional capability.
 - Ability to specify the entire requirement now such that the bidders will be able to tender, deliver and fully proceed the bid without the need for negotiation.
 - The route meets CPCA selection requirements.

The benefits of this approach were:

- Use of a PIN ensures that the procurement process can be determined by likely number of bidders without abortive process based on a call for competition.
- It provides more time for CPCA to conclude actions/ decisions required to inform the procurement action.
- It provides time for PCC to review and approve tender documentation and procurement action prior to publication.
- It provides opportunity for CPCA to consider procurement with one provider if only one bidder expresses interest.
- It maintains publication of formal Expression of Interest within the Original CPCA 1 timeframe and award of the preferred ADP by the end of Q2 2020.
- It allows for requirements of the tender to be agreed as part of a negotiated procedure.
- It allows the timeline for procurement of the ADP procurement and the development of the design and planning submission for building one to be separated, to allow more time for the procurement of the ADP, accepting the low risk that the ADP seeks changes to the design of the building which requires redesign or delays submission of planning.

The procurement process described above elicited responses from 11 parties who showed interest in the ADP opportunity when first advertised. Owing to the extensive, complex and stringent requirements it was always likely that some of the smaller entities would be unable to submit even an Expression of Interest and, accordingly, many felt unable to submit formal expressions of interest and did not participate further in the procurement.

Three prospective bidders submitted Expressions of Interest, which demonstrated reasonable levels of engagement with the substantive requirements included in the Call for Competition Notices and associated documentation. This process demonstrated positive interest and competency within the market, however, owing to technical short-comings, one bidder was disqualified early in the process.

Of the two remaining in contention, only one was able to successfully complete all stages of the process and satisfy all the requirements of the tender, to produce a compliant and sufficiently high-quality bid.

Following the successful annulment of a challenge received during the OJEU standstill period, the formal procurement of the ADP was completed on the 11 June 2020. The outcome is that a Higher Education Corporation, OfS Registered Higher Education Provider was appointed as the ADP. The ADP will provide the skills, knowledge, experience and resources to make establishing a new higher education provider in Peterborough, ultimately holding degree awarding powers and University Title a practical reality. The full scale and scope of the offer includes:

- **Capital Investment** – The ADP has committed to provide up to £6.5m of capital investment to integrate their existing nursing provision (provided at Guild House) into the phase 1 provision on the new University campus (this investment is currently expected to be £3.8m, subject to confirmation of the final contract sum for the construction contract).
- **Cashflow- support** – A forecast £5.4m shortfall in funding to support the start-up costs for the new University is to be funded by a loan from the ADP to UniCo.
- **Staff recruitment** – an initial Development Team will be formed by the ADP to work with CPCA and key stakeholders. The Development Team will include senior leadership, academic subject specialists and professional service support. The ADP will be responsible for making available for the new University a full complement of staff and procuring relevant services, with further detail to be agreed as the transactional agreements are finalised.
- **Curriculum design and development** work including development of a learning and teaching strategy with reference to the ADP's Curriculum Model of teaching and learning to take place off-campus and programme validation arrangements (with the ADP awarding its degrees to students of the new University, pending it being awarded degree awarding powers). The ADP will undertake full market research and product development to ensure the curriculum portfolio meets the vision for a University in Peterborough. Depending on the outcomes of such market analysis, the ADP will fully support the curriculum from inception to maturity and retirement/renewal of individual courses. The support required may also include learning technologists and materials production services to support blended and distance learning, enabling of virtual learning environments etc.
- **Intellectual Property** - The ADP will retain all rights in its background intellectual property rights. The ADP and the new University, both acting reasonably and in good faith, will enter into binding arrangements regarding the licence of the ADP's background intellectual property rights to the new University during the term of the contract and during the new University's transition to an independent University of Peterborough on terms to be agreed by the ADP and the new University. If the new University requires use of the ADP's background intellectual property beyond its transition to an independent University of Peterborough, The ADP and the new University will negotiate in good faith and acting reasonably the terms of the required licence. All foreground intellectual property rights in materials developed by the ADP exclusively for the new University will belong to the ADP and the ADP will grant a perpetual, royalty free, non-exclusive licence to the new University to use such foreground intellectual property rights. If Unico develops its own foreground intellectual property rights by its own staff or third party contractor (excluding the ADP) then if it licenses such intellectual property to the ADP such license will be on market terms to be agreed by the new University.

- **Staff workload planning, resource scheduling and timetabling** – linked to curriculum modelling and business model prototyping.
- **Student recruitment, marketing and admissions** processes and systems to include UCAS support, direct entry and employer-sponsored routes to be developed. It is anticipated that the focus of these services will be positive, proactive, outgoing and engaging to reach out to under-represented groups, to engage with their needs and win their active participation in the new University.
- **Student and academic services and systems development** – a full range of transactional, advisory, welfare and other student-facing services along with regulatory and academic policy support including assessment, examinations, graduation. It is anticipated that these services will be fit for purpose with respect to the diverse needs of the student population (segmentation) – the service orientation should be capable of responding to the "segment of one".
- **Library and learning resources services/systems** – physical and virtual resources and associated services including licensing.
- **Strategic planning, finance and governance services and systems development** (including full Head Office / VCO functions) – to be transitioned from the ADP to an independent "University of Peterborough" as part of the Roadmap, with further detail to be agreed as the transactional agreements are finalised.
- **Full range of 'soft' FM and ICT services** and resources required to operate the new University effectively and to deliver an excellent student experience. Such soft FM/ICT services may include cleaning, security, catering and reception services, network connectivity and infrastructure (Janet), business and academic IT and AV systems and software¹¹.

IT Infrastructure	Main Contractor (phase 1)	Academic Delivery Partner (ADP) Unico
Core ICT Infrastructure ICT (data) cabling and ancillary items such as distribution frames and equipment racks	Y	
Ongoing Maintenance of core ICT Infrastructure		Y
Other ICT packages Network Wireless Connections 4G/5G mobile Phone enhancement (the scope of which remains to be agreed) Digital /Audio Visual systems		Y

¹¹ UniCo will be responsible for 'hard' FM services under the Lease. Such hard FM services may include signage (external and internal), future maintenance registers, asset registers, statutory inspection records etc, project works move and churn, QHSE control of works / permits, risk management, statutory compliance, structure and fabric, MEP installations, 'life safety systems', fixtures fittings and equipment, ICT installations, highways and paths and external hard landscaping. In order to ensure UniCo's compliance with its maintenance obligations, the Lease will contain a schedule of maintenance and obligations on UniCo and PropCo to conduct an annual review of the condition of the Building. In the event that UniCo fails to remedy any maintenance issues following the annual review, the Lease will contain a right for PropCo (acting reasonably and following an appropriate process) to step-in and perform the required maintenance together with a contractual requirement for UniCo to reimburse PropCo for the costs of it undertaking such maintenance by way of service charge.

IT Infrastructure	Main Contractor (phase 1)	Academic Delivery Partner (ADP) Unico
Local Server and storage systems (Design input from ADP)		
Ongoing maintenance of other ICT Packages		Y
Software Business and academic software solutions and licences. (Input from ADP)		Y
End User Devices laptops, printers and PCs (Input from ADP)		Y
External Connectivity Internet and HE network (JANET)		Y

Infrastructure

Procurement of the infrastructure is split into two categories:

1. **Land:** the proposed development plot 'The Embankment, off Bishops Road Peterborough' forms part of the agreement between Cambridge and Peterborough Combined Authority (CPCA) and Peterborough City Council (PCC) where PCC have committed to providing land for use in the development of the new University. The valuation of the land has been agreed; subject to finalising the acreage. At the time of writing the necessary due diligence and valuation for Phase 1 of the University is ongoing. It is proposed that the agreement will also allow for future growth of the University beyond phase one on the Embankment site and that the Heads of Terms will reflect how this is achieved. The procurement of the land from PCC may require an Advertised Sale via a notice in the local press (public owned land for disposal under reg: 1972).
2. **Main Contractor:** procurement of the main contractor will be required to deliver the physical capital works, which will broadly include:
 - a. Off plot Utilities, highways works associated with Phase 1.
 - b. On plot infrastructure works, utilities, road, car parks, landscape and ancillary buildings.
 - c. Building and internal fit out (including IT and AV).
 - d. Procurement of infrastructure for use in operation of the building by the ADP.

Following approval of the Outline Business Case a supplier event was held to look at the market opportunity for developer led delivery and operation of the asset for phase one or delivery by the main contractor and operation by the ADP. The opportunity for both routes has been allowed for in the ADP procurement. However due to feedback from the supplier event; which suggested that while there are alternative options to design, build and maintain the phase 1 and future phases of the university, the general consensus is to maintain programme was for a Design and Build tender for Phase 1.

Since the supplier event there has been the further impact of Covid-19; which has had to be considered in the selection of the preferred procurement route, to support contractors cash flow during procurement where possible without undue burden on project cost; gain feedback on the

design and buildability to increase the likely hood of availability of materials and labour for installation and, once appointed, ensure fair payment across the supply chain. Any impacts on construction cost arising from the need to incorporate social distancing measures into operating procedures are, as yet, unknown.

Procurement of the main contractor has commenced with the publication of a Selection Questionnaire through an OJEU restricted procedure. The purpose of this is to seek interest from the market and establish a short list of up to 5 main contractors who will progress at their cost into the first stage of a two stage process; with award of a single contractor in August 2020. Following approval of a further iteration of the FBC in late 2020, the selected contractor will work with the CPCA /PCC and its advisors to develop the design, procure works packages and agree a fixed cost for approval in January 2021.

A two-stage procurement route approach has been necessitated by the need to:

- a. Maintain programme for opening of the new University in September 2022.
- b. Identify a single contractor capable of working with PropCo and its advisors following sign-off of this FBC.
- c. Attract a suitable main contractor capable of constructing phase 1 by identifying a procurement route that allows the main contractor to receive payment for developing the design and procurement of the works packages up to agreement of a fixed price.
- d. Respond to the impact of Covid-19 on the construction market in terms of payment and design development input by the main contractor.
- e. Enhance the opportunity for the identification and elimination of the associated financial and construction risks prior to entering into contract, through engagement with their supply chain, and specialist input on sequencing and buildability.

3.1.2 Service streams and required outputs

Annex 6.4 sets out the selection criteria for the ADP as published in the call for Expressions of Interest and Invitation to Tender, which in turn reflect the project's required services and outputs. In summary the selection criteria were:

- Formal definition of the ADP to meet the ultimate objective of establishing an independent University of Peterborough with degree awarding powers and University Title.
- Commitment to the vision for an Independent University in Peterborough including the growth trajectory set out in the project objectives.
- Commitment to develop the operational capabilities of the University including staff and student recruitment and support, curriculum design and development and all support functions.
- Commitment to the long-term success of the University including branding and performance requirements
- Commitment to resourcing and addressing working capital requirements.
- Commitment to the programme for establishing and growing the new University.

The minimum expectations and outcome of the finalised deal are as stated in section 3.1.1 above.

3.1.3 The contracts

Academic Delivery Partner

Form of contract and key features of the deal

Finalisation of the contractual documentation arising from procurement of the ADP is taking place in parallel with preparation of this FBC through a negotiated process that has led to agreed Heads of Terms with drafting advised on by Pinsent Masons (CPCA legal advisers). A copy of the Heads of Terms is attached at Annex 6.5 and includes details of the proposed structure of the contractual arrangements.

The purpose of the Heads of Terms is to form the basis of negotiation between the ADP, CPCA and PCC up to contract award. The ownership structure of the new University will reflect the commitment of resources by CPCA, PCC and the ADP. The structure for delivery agreed between the ADP, PCC and CPCA is outlined below:

- CPCA, PCC and the ADP will be joint venture partners in respect of a new special purpose vehicle ("**PropCo**") into which the land will be transferred by PCC, together with the Local Growth Funding (LGF), the CPCA PropCo Contribution (capital and revenue funding from CPCA) and ADP financial continuation of between £3.8 and £6.5m (depending on final build costs). PropCo will develop on the land the building and campus intended to be used by the new University. Since approval of the OBC, CPCA has signed an Office Decision Notice (ODN), to allow incorporation of PropCo, initially with CPCA as a single shareholder. The incorporation of PropCo along with a project bank account is required to be in place so that LGF monies can be defrayed into PropCo account by the end of August 2020¹².
- The ADP will establish a separate new special purpose higher education vehicle ("**UniCo**"), which it is intended will eventually be the University of Peterborough, subject to the outcomes of the independent review. It will be established by the ADP as a charitable company limited by guarantee. A Collaboration Agreement will include arrangements for a revised ownership structure for UniCo when it is capable of fully independent operation from the ADP (if desired by the parties at that time).
- It is intended that PropCo will grant a lease of the Building to UniCo, the terms of which include a 10 year rent-free element during the start-up phase (see above).

To date CPCA and PCC have approved working together to deliver the project with CPCA establishing PropCo and investing funds into PropCo and PCC working to secure transfer of the the land to PropCo. As there have been delays in securing the transfer of the PCC's land into PropCo the company has been established with CPCA as the sole shareholder and a subscription agreement entered into between CPCA, PropCo and PCC which commits PCC to transfer the land a later date, at which point it will receive shares in the company in proportion to the value of this investment.

The subscription agreement between CPCA and PCC describes the commitment between parties who will work together toward realisation of the new university buildings. The ADP also intends to participate as a shareholder of PropCo in return for an investment of up to £6.5m (currently anticipated to be £3.8m)). At the point of the transfer by PCC of the land into PropCo, a shareholders'

¹² This requirement has arisen as a result of delays to the procurement of the ADP meaning that the expenditure of the LGF Grant cannot meet the March 2021 deadline; to safeguard the funding it must be transferred to PropCo before September 2020. LGF funds will be drawn down by CPCA from 1 April 2020 and the balance transferred to PropCo before the end of August 2020; based on the current spend profile in line with the Revision B master programme the LGF funding is targeted to be expended by September 2021.

agreement will be entered into with all participating shareholders (including the ADP) to document the governance of PropCo together with operational parameters for the company and exit provisions in the case of default or sale of shares.

CPCA have signed an Office Decision Notice (ODN) since approval of the OBC, to allow incorporation of PropCo with CPCA as a single shareholder. The incorporation of PropCo is now complete, with a bank account being put in place in order that LGF monies can be defrayed into PropCo account by the end of August 2020; this requirement has arisen as a result of delays to the procurement of the ADP meaning that the expenditure for the LGF Grant monies cannot meet the March 2021 deadline; in order to safeguard the funding it has to be transferred into PropCo before September 2020. LGF funds will be drawn down by CPCA from 1 April 2020 and the balance transferred into PropCo before the end of August 2020; based on the current spend profile in line with the Revision B Master programme the LGF funding is targeted to be expended by September 2021.

The main transactional documents will be as follows:

- Articles of Association of (UniCo), the newly formed higher education provider established as a wholly owned subsidiary of the ADP.
- Collaboration Agreement between the new University of Peterborough, the ADP and PropCo in relation to the development, operations, governance of and milestones to be met by the new University of Peterborough..
- Articles of Association of PropCo (as a joint venture between CPCA, PCC and the ADP).
- Shareholders' Agreement between CPCA, PCC, the ADP and PropCo in relation to PropCo.
- CPCA Services Agreement in relation to the services to be provided by CPCA to PropCo in managing the development of the university building project and ongoing operation of PropCo as landlord of the completed building. The CPCA Service agreement will be in place from August 2020 to give authority for CPCA and its agent to act on behalf of PropCo in the design, procurement and delivery of Phase 1 of the new university.
- Land Transfer from PCC to PropCo.
- Agreement for Lease with agreed form lease between PropCo and the new University of Peterborough.
- Any other ancillary documentation required to implement the provisions of the Heads of Terms.

The basis of these legal agreements is set out in Heads of Terms approved by the parties. It is intended that these agreements be signed by all parties by the end of August 2020.

Contractual issues

The full scale and scope of the requirements has been shaped in negotiation and includes the requirements outlined above, albeit with attendant risks described in more detail in section 1.4 and other sections of this FBC. The basis of the agreement with the ADP is set out in the Heads of Terms that will form the basis of the transactional agreements currently being drafted for execution in August.

Payment mechanisms

In accordance with the agreed the Heads of Terms, CPCA, PCC and the ADP will enter into a Joint Venture (PropCo) which will hold the property from PCC, LGF

Investment monies, CPCA funding contribution and capital investment from the ADP capped at £6.5m for the construction works of the phase 1 building. Additional investment associated with the University start-up capital requirements will be provided by the ADP via a short-term loan.

A separate Special Purpose Vehicle will be established by the ADP (UniCo) as the new higher education provider which is intended to ultimately become the University of Peterborough. The agreement of rent and rent-free periods and the basis on which these will be paid by UniCo to PropCo has been agreed between parties through the ADP negotiated procurement; a 10 year rent-free period will apply.

Accountancy Treatment

CPCA, PCC and the ADP will enter into a Joint Venture (PropCo), which will hold the property from PCC, LGF investment monies, CPCA capital contribution and the ADP capital contribution. All the assets will sit within PropCo which will be a local authority-controlled company and therefore, be incorporated into the financial statements of the local authorities accordingly.

Building/Infrastructure

Form of contract

The construction works are proposed to be delivered via a Design & Build procurement route using a two-stage tendering process and an industry standard form of contract. The current contract form is intended to utilise a JCT Design & Build form with client amendments.

This contract form is an industry recognised and widely used contract, which ensures all parties are familiar with the structure, risk apportionment, key provisions and contractual procedures/mechanisms. It is typical for clients to amend this form to insert additional provisions surrounding risk apportionment and payment. As such CPCA have procured the services of Pinsent Masons to provide professional legal advice to provide the necessary client amendment to this form of contract.

A design and build procurement route will provide PropCo with a fixed price lump sum offer for the construction of the works, which will reduce PropCo's exposure to potential overspend within the construction work. By adopting a two-stage tendering process, CPCA's client team will work with the contractor on an open-book basis to ensure competition is maintained throughout the second stage, and that risks are appropriately managed. Long-lead items and works packages will be reviewed with the Main Contractor to verify competition throughout the supply chain, and to offer greater financial certainty to all parties. This process will assist in ensuring Contractor's risk pricing is reduced and PropCo achieve value for money.

In order to meet the Q4 2020 spade in the ground, it will be necessary for PropCo to place order with utilities supplier in August 2020 as there is a three month lead in for the works – works would be carried out by the Main Contractor to remove redundant cable, along with minor enabling works on the site on land provided by PCC to PropCo ahead of entering into the building contract, following which an order will be placed with UKPN for removal of the cable in November 2020

The signing of a pre-construction service agreement with the Main Contractor will permit them to develop design and agree a fixed contract sum by January 2021.

Key features of the deal

The main contract will ensure a single point of responsibility from the Main Contractor to PropCo for the design and construction of the phase 1 building in accordance with the specified Employer's Requirements. The contract provides the following key outcomes:

- Time certainty through fixed start and completion dates.
- Cost certainty through a fixed price lump sum.
- Clear identification of liquidated damages for late completion.
- Agreement on change management processes.
- Single point of design and build responsibility by the main contractor.
- Regular payment provisions and fair payment provisions throughout the supply chain.
- Agreed apportionment of risk between Client and Contractor.
- Provisions for 3rd party interests, including collateral warranties.

Contractual issues

Covid-19 continues to have a significant impact on businesses across the construction industry and whilst case law is not yet established on how construction contracts will deal with its impacts, the current JCT suggests this is a relevant event; entitling the contractor to an extension of time. In response to this, Pinsent Masons have provided legal advice and the proposed contract amendments include provisions for pandemics to allow the main contractor assured extension of time. This will provide comfort to the contractor by avoiding exposure to late completion and liquidated damages that arise as a result of delay outside of their control. This should benefit PropCo by the avoidance of inflated risk pricing to cover such events.

Payment mechanisms

PropCo will appoint the main contractor and make payment under the agreed form of contract. A specific project bank account will be set up based on the JCT project bank account principles to ensure sufficient project funds are available for the construction of the phase 1 building, protected against misappropriation, and providing security for the Main Contractor and their supply chain of appropriate funding and regular payment. This will be formalised in a trust deed included within the main contract.

PropCo will be responsible for paying for the design, procurement and delivery of the phase 1 building under the agreed contract to the consultant team and the Main Contractor. The project bank account will be operated by CPCA on behalf of PropCo and will act as a mechanism to facilitate direct payment from PropCo to the main contractor and the top five suppliers (in terms of contract value), to be named within the Contract Particulars. This mechanism will safeguard regular payment to the supply chain, which under current economic circumstances is paramount in safeguarding performance. The bank account will also provide a mechanism, if required, for all supply chain members to be paid directly in accordance with the fair payment charter, if PropCo deems that payment is not being made regularly throughout the Contractor's supply chain.

The payment mechanism for the construction works associated with the provision of the new buildings will be set out in the form of contract used, and subsequently in accordance with the payment terms dictated under the Housing Grants Construction and Regeneration Act 2011. It is typical for such payments to be based on interim monthly valuations of progress completed on site and applied for via the Main Contractor's Interim Applications for Payment. These applications will be verified by CPCA's appointed Quantity Surveyor through valuation/inspections on site, validated through the necessary payment notices and paid in accordance with the contract terms.

Further payment amendments are proposed via advice from Pinsent Masons, to ensure that the contractor signs up to the fair payment charter and that prompt payment is made throughout the whole supply chain.

Accountancy Treatment

As no PFI or similar arrangements are proposed for construction of the phase 1 building, no accounting treatment questions arise for presentation in this FBC. PropCo, a local authority controlled joint venture company, will own the asset once constructed and this will be incorporated into the financial statements of the local authorities accordingly.

3.1.4 Risk apportionment

Academic Delivery Partner

The risk register at Annex 6.1 provides details of the risk apportionment between CPCA/PCC (PropCo) and the Academic Delivery Partner (ADP) agreed in the Heads of Terms and to be finalised in detail through the full legal documentation. In summary:

- all costs associated with the procurement of the ADP; acquisition of the land; design procurement and delivery of phase one building until August 2020 will be the responsibility of CPCA/PCC; and
- the ADP, from practical completion of the development will assume responsibility for operation of the University including hard and soft facilities management services, pending securing the independence ultimately sought for the University.

In addition, a more detailed assessment of the potential impacts of Covid-19 on the ADP's business model is provided in section 3.3.

Infrastructure

The apportionment of risk for the infrastructure construction phase will be agreed as part of the procurement strategy prior to the procurement of the main contract and sub-contract packages. The apportionment of risk (yet to be agreed) will allocate risk appropriately to mitigate risk to the client by whom the contractor is appointed (PropCo). The risk register appended at Annex 6.1 identifies several key infrastructure risks for the delivery of the Phase 1 building, noting the risk likelihood, severity, and time and cost impact, and proposed mitigation strategy.

3.1.5 Implementation timescales

The implementation timetable has been prepared by CPCA's advisors as the basis of the legal documents between CPCA, PCC and the Academic Delivery Partner (ADP) that will be taken forward in developing the university campus in Peterborough and the establishment of a new higher education provider that is intended to ultimately become the University of Peterborough.

The timeline of events follows the approved project master programme (Revision B) to meet the key project milestones to achieve spade in the ground in Q4 2020. The programme makes no allowance for delay in contracting with the ADP or for impact of Covid-19 on the construction duration, which remains a risk to the overall scheme. The timetables for finalising and contracting with the ADP and with the Main Contractor are set out in Annex 6.6:

3.2 Deliverability

Academic Delivery Partner

As outlined in section 1.4 above, the ITN Final Submission from the ADP provides a good strategic fit with the project objectives. However, the agreement with the ADP inevitably generates risks that could adversely impact on achievement of the project objectives, in particular:

- Whether higher than anticipated levels of growth in student numbers will be able to be accommodated by the ADP.

- Whether the form of provision proposed will reach under-represented and local groups of students and meet the needs of the region's businesses.
- Whether the marginal surplus generated by the Operating Model proposed by the ADP will be sufficient to generate a sustainable, independent University in the long term (taking into account future growth phases).

These and other risks described in more detail in other sections of this FBC will be managed through negotiation of contractual terms, governance arrangements and ongoing positive relationships between the public authorities and the ADP through the delivery phase of the project to ensure continued confidence (not least given the uncertainties arising from Covid-19) that the ADP will be able to establish a new University which has the positive economic, regeneration and social impacts sought by CPCA.

Detailed assessments of deliverability of CPCA's objectives for the new University are set out elsewhere in the FBC, most notably in sections 3.3 and 4, which address the risk arising from the financial model and Covid-19 impacts respectively. CPCA concludes that, given the safeguards/mitigation plans set out in those sections and the governance arrangements described in section 5, the project is deliverable, and the risks associated with it are manageable.

Critical to mitigating the risks inherent in the project as proposed, will building and sustaining strong, productive relationships between the public sector partners and the ADP relationships at all tiers of those organisations. A shared vision and a common understanding of how to achieve it, will be the best way to avoid these risks

Infrastructure

The OBC proposed a phase 1 building of 3500m² Gross Internal Area, derived from a notional fixed £20m budget at the time. Following negotiations with the ADP, it became apparent that the ADP would require a larger building to accommodate their student numbers and proposed activity. A revised design proposal has been prepared for a phase 1 building based on a 5300m² Gross Internal Area; a multi-use educational facility suitable for a mixed use of working, learning, teaching, collaborating, and eating. The building will include all associated external landscaping and infrastructure, all delivered within the available cost envelope (currently assumed to be £28.6m). The revised larger building is a more appropriate size for a building of this nature, and allows more flexible use of the building as an adaptable asset for the future.

A summary and elemental cost summary of how the budget is derived is shown below. The construction works costs have been benchmarked against known industry data for similar size and quality educational buildings and are aligned with the median cost parameters.

Elem Ref			Cost Target £	£ / m ² GIFA
0	Facilitating Works		180,000	34
1-10	Building Works		17,615,541	3,324
		Works Cost Estimate	£ 17,795,541	3,358
11	Fees & Surveys		2,553,499	482
12	Client Project Costs		1,032,900	195
13	Client Contingency (applied to 0-10 and 12)	10%	1,882,844	355
	Cost Limit (Excluding Construction Inflation)	£	23,264,785	4,390
14	Inflation; to mid-point construction 4Q21 (applied to 0-10 and 12)	3.0%	564,853	107
	Cost Limit (Including Construction Inflation)	£	23,829,638	4,496
	VAT Assessment (applied at the prevailing rate)	20%	4,765,928	899
	Estimated Outturn Costs	£	28,595,565	5,395
	"Say"		28,600,000.00	

Budget Cost Plan

University of Peterborough - Phase 1 Development

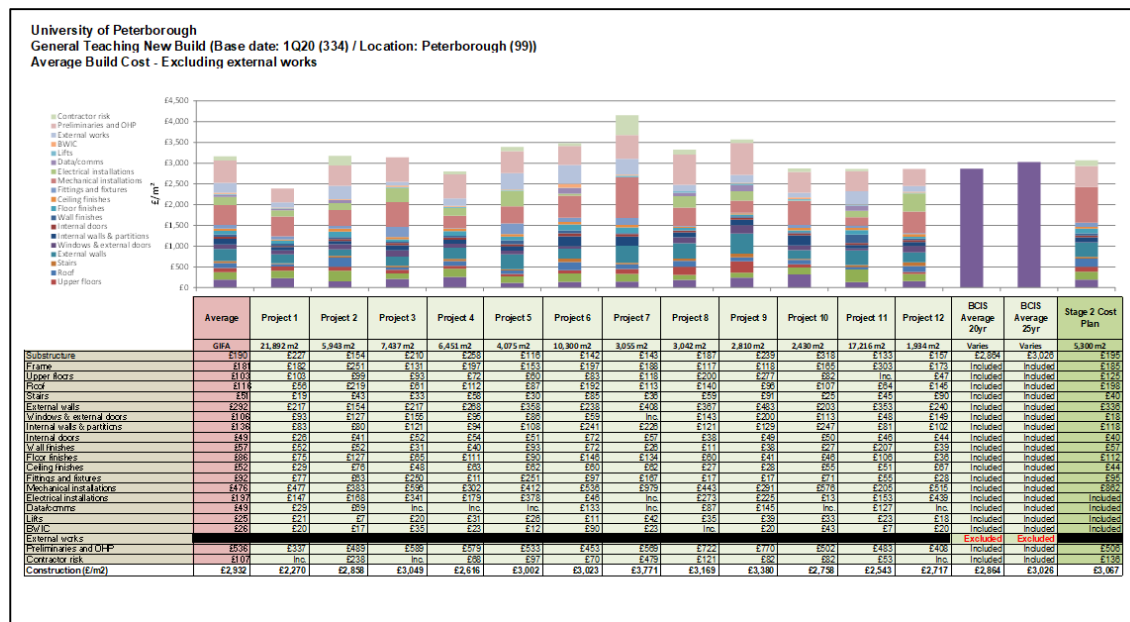
Elemental Summary

14 April 2020

		Cost Target £	£/m2
0	Facilitating Works	180,000	34
1	Substructure	1,032,900	195
2	Superstructure	5,616,506	1,060
3	Internal Finishes	1,129,600	213
4	Fittings, Furniture & Equipment	503,500	95
5	Services	4,568,000	862
6	Prefabricated Buildings & Building Units	N/A	N/A
7	Works to Existing Buildings	N/A	N/A
8	External Works	1,361,359	257
	Sub-Total	14,391,865	2,715
9	Main Contractor's Prelims	13%	1,870,942
10a	Main Contractor's OH&P	5%	813,140
10b	Main Contractor's Risk	3%	431,756
10c	Main Contractor's Design	2%	287,837
	Construction Total (Exc. Inflation)	17,795,541	3,358
11a	Project / Design Team Fees - RIBA Stage 1-2 (CPCA Stages 1-4)		449,642
11b	Project / Design Team Fees - RIBA Stage 1-4 (Includes re-design work and CPCA Stage 5)		681,279
11c	Project / Design Team Fees - Client monitoring role (CPCA Stage 6) - As per framework fee	1.39%	322,578
11d	Legal Fees		300,000
11e	Surveys, Statutory Fees and Additional Services		550,000
11f	Section 106, Section 278 and other conditions (allowance)		250,000
12	Client Direct Project Costs (loose furniture, café, ICT)		1,032,900
13	Client Contingency (applied to 0-10 and 12)	10.0%	1,882,844
14	Inflation; to mid-point construction 4Q21 (applied to 0-10 and 12)	3.0%	564,853
	Total (Exc. VAT)	23,829,638	4,496

A benchmarking exercise has been undertaken to investigate the estimated build cost against a range of similar HE projects to ensure market buildability. The benchmarking data represents an average cost per typical building element, represented as a cost per m² of Gross Internal Floor Area. The benchmarking data excludes site specific abnormal elements such as facilitating/demolition works, and external works, to allow a fair comparison. This benchmarking indicates an average build cost (£Nett/m²) of approximately £2932/m² (excluding site facilitating and external works), and this is supported by wider industry benchmarking mean averages of £3026/m² (BCIS data). The phase 1 construction cost estimate is £3,067/m², which supports the conclusion that the proposed phase 1

building can be delivered to a suitable standard within the current budget, and within typical cost parameters for a HE building. The benchmarking exercise is shown below.



The procurement route proposed is typical for a project of this size and nature and is typically preferred by Main Contractors over a single-stage tender process, as their efforts in developing design are paid under a PCSA. Construction projects of this nature are desirable to a Main Contractor within the current construction market which has been further increased as a result of Covid-19, which will affect short to medium-term pipelines of work for main contractors, and a high level of competition is expected. The project construction timescales are achievable, although tight, and the works are generally viewed as low risk, which should be reflected in the Main Contractor's commercial offer. However, it is anticipated that the Covid-19 pandemic could affect priced risk and programme duration as a result of the need to maintain social distancing / increased lead-in on materials and risk of supply chain liquidity.

CPCA on behalf of PropCo has commenced procurement of phase 1 under an amended Design and Build form of contract. Following feedback from the supplier event, this was more attractive to the market prior to the Covid-19 pandemic and continues to be preferable. This is due to the ability of the main contractor to influence design, minimise their own and sub-contractor risk under the two stage procurement route, and to be paid for their efforts in establishing the design and works via a pre-contract services agreement.

Prior to tender issue there has been strong appetite from the market through initial expressions of interest, and attendance at the pre-tender briefing meeting, held by CPCA. Within the surrounding regions there is a wealth of experience from the construction market for delivering similar schemes through this procurement model. The site location is well served by key transportation links and the site itself is generally unrestricted, which bodes well for acquisition of labour and materials. There is a strong supply of main contractors, and subcontractors who operate in the area and therefore interest in this scheme is expected to be high throughout the supply chain, which will typically result in competitive pricing. We, therefore, expect a high level of interest for the project from a large number of suitable contractors whom have a strong portfolio of construction projects in the HE and

Local Authority sectors. An initial review of key Contractors with suitable experience of design and build Higher Education projects is identified below:

Contractor	Regional Office Location
Balfour Beatty	Manchester
BAM Construct	Birmingham
Bouygues (U.K.)	Birmingham
Bowmer & Kirkland	Derby
Galliford Try	Leicester
Interserve	Leicester
ISG Plc	Cambridge
John Sisk	St Albans
Kier	Corby
Mace	London
McAlee & Rushe	London
McLaren Construction	Birmingham
Morgan Sindall	Rugby
Multiplex Construction	London
Osborne	London
Vinci Construction	Cambridge
Wates Group	Cambridge
Willmott Dixon	Milton Keynes

Following the issue of the Supplier Questionnaire the following contractor's have formally expressed interest:

Contractor
BAM Construct
Bowmer & Kirkland
Clegg
Farrans
Galliford Try
Geoffrey Osborne
Gilbert-Ash
Henry Bros
Interserve
ISG Plc
John Graham
Kier
McLaren Construction
Morgan Sindall
RG Carter
SDC
VINCI
Wates
Willmott Dixon
Wates Group
Willmott Dixon

3.3 Covid-19 impact assessment (Academic Delivery Partner)

Data from the Cambridgeshire & Peterborough Independent Economic Review (CPIER), updated by new, ongoing econometric work to assess the extent of economic scarring resulting from the Covid-19 crisis, predicts that Peterborough and the Fens, will be one of the hardest hit economies in the

UK. This is supported by the recent Centre for Cities study putting Peterborough as the 5th most “at risk” city in the UK from the economic impacts of Covid-19.

This is partly due to education deprivation (Peterborough is in the bottom 10% of all UK cities), resulting in a less resilient and adaptable workforce. It is also partly due to the region’s low-tech industrial base, characterised by increasing levels of administration and logistics employment, a waning high-value manufacturing sector and a reducing proportion of knowledge intense jobs. These factors combine to increase risks of the region also being one of the slowest to recover.

Therefore, a more inclusive recovery and regrowth strategy is needed for region’s economy. To recover the region’s growth ambitions requires action to be taken to increase higher value, more knowledge intense and more productive growth. Changing the spatial distribution of economic growth and supporting an increase in innovation-based business growth across the whole of the CPCA economy, was a key recommendation from the CPEIR and formed the basis of the following three priority goals of the Local Industrial Strategy; this will be more important than ever in the recovery following the Covid-19 crisis:

- To improve the long-term capacity for growth in Greater Cambridge to support the expansion of this innovation powerhouse and, crucially, reduce the risk of any stalling in the long-term high growth rates that have been enjoyed for several decades.
- To increase sustainability and broaden the base of local economic growth, by identifying opportunities for high growth companies to accelerate business growth where there is greater absorptive capacity, beyond the current bottlenecks to growth in Greater Cambridge.
- To do this by replicating and extending the infrastructure and networks that have enabled Cambridge to become a global leader in innovative growth, creating an economy-wide business support and innovation eco-system to promote inclusive growth

In common with a number of cities in the UK, the establishment of a university and associated innovation eco-system could produce the knowledge engine to drive the increased worker skills to raise business productivity, innovation, and knowledge intensity, capable of accelerating the economic recovery rate, in these “left-behind” towns.

3.3.1 Immediate Impact on the ADP’s business model

The ADP is a large university operating at scale across several campuses (including Peterborough) with a shared cost model. The ADP has a long history of successful financial management. Its financial model is not heavily geared, consistently returns a surplus and the University has taken difficult decisions quickly when required. The ADP’s business model rests on quick decision taking and being a first mover in the market, for example:

- First new medical school for 12 years.
- First to invest heavily into Degree Apprenticeships (now largest UK provider of these and a thought leader in their development).
- Early mover into Policing degrees.

The ADP delivers bespoke portfolios and delivery models for customers, for example:

- The ADP’s London campus offers flexible courses (e.g. 2 days per week) and has grown from 1,500 to around 6,500 students in 4 years
- Offering employer focussed courses

- Degree Apprenticeships that are in tune with the market and able to respond very quickly to opportunities and requests

Following the impact of Covid-19 the ADP's set up a Covid-19 task force (September 2020 Delivery Project) and made an immediate move to online delivery. Its business model is less exposed to the potential impacts of Covid-19 than other HEIs, for example:

- The ADP is not heavily reliant on international students (see numbers in section 1)
- It has dispersed campuses (with limited competition) and Covid-19 is likely to see more students staying in the region to reduce travel, allowing them to study from home.
- The ADP has low building overheads (compared to other HEIs) as a result of its employer and employment-based curriculum.
- The ADP's strong base in health and public services is in tune with growing interest.
- While the ADP has taken significant one-off steps to respond to 'most likely scenario' it has not made redundancies and has not incurred any additional debt.
- The ADP has long experience in distance learning and has already successfully blended delivery with a viable strategy for September 2020 across all campus activity, providing clear reasons to bring students onto campus to further enhance their experience of working in small groups, using specialist facilities and equipment etc. This learning will have matured and embedded into delivery well before the new University opens in Peterborough in 2022.
- The ADP has heavily invested in learning technology, for example their learning management system (Canvas) is state of the art and able to support and deliver an outstanding educational experience.

3.3.2 Target market segments

The ADP has launched a Mobilisation Strategy and is finalising mobilisation plans (operational activities) across 8 workstreams (monitored on a monthly basis through the ADP's Steering Group) covering the following areas of work

- Course development
- Curriculum approval
- Learning resources and Infrastructure
- Workforce development and employee relations
- Legal, Finance and Governance
- Marketing and recruitment including admissions
- Stakeholder engagement
- Student support including SU

As prospective ADP, they have already started the first phase of work on development of the portfolio of courses for the new University in Peterborough and their suitability post Covid-19, including engagement with key stakeholders (schools, colleges, businesses, community groups). An initial report on market segments has been produced drawing on this.

Key strengths of the ADP that help to mitigate the risk posed by Covid-19 include:

- its range of provision, not being reliant on one or two markets;
- employer engagement;
- flexibility, adaptability and agility in response to changing market conditions;
- ability to invest in short courses

- expertise and capacity in marketing and recruitment activity; and
- existing use of virtual Open Days, Virtual Applicant Days and Virtual Q+

While the ADP procurement process did not allow for conversations with industry, this work has now started through the ADP's stakeholder engagement workstream to further develop industry partnerships in Peterborough and the wider region. The ADP is using both existing contacts and those in CPCA's networks. Opportunity Peterborough provides another route to engage with local businesses, to create awareness and develop courses that will ensure the current and future talent pool in the region is trained and work-ready. Specific activity will focus on the different market segments identified below.

18-24 year olds from the local demographic

Population estimates of the numbers of 18-24 year olds in the region indicate HE is about to enter a period of growth in the market, not least due to the latent demand in the "cold spot" identified in section 1 (approximately 24% of 18-24 year olds in the region are in full time education, compared to around 33% nationally).

Area	Population (18-24 year olds)
Peterborough	14,184
Cambridgeshire	59,133
East Cambridgeshire	5,497
Fenland	7,082
Huntingdonshire	11,526
Total	97,422

The ADP's analysis of HE demand in the region, predicts an increase in the number of 18 year olds over the next 5 years leading to a 13% increase in students entering HE by 2025 (up to 6,105) with a static participation rate of 44%, and a 20% increase (up to 6,521) if the participation rate grows to the England average of 47%. Demographic analysis suggests also that this new demand is likely to be from groups who are more likely to stay in the region to study and then subsequently to work.

The ADP will use its existing footprint to leverage demand (e.g. Guild House and Nursing provision. Its approach is to bring in a team quickly to create demand, build intelligence and assess local need and infrastructure. This will create the relationships in the schools/colleges and wider community.

The ADP has started the recruitment process for a Student Recruitment Manager who will be based in Guild House and will be engaging with the community, adopting a marketing approach of 'think local, act local'. By 2021, the ADP will have additional marketing staff e.g. student recruitment and outreach officers, events officers, etc

First generation HE students of all ages

The ADP will undertake a segmentation exercise to identify key segments followed by communications and marketing activity to build awareness with first generation and 21+ prospective students (likely to be radio and regional TV). They will leverage their digital capability to widen reach including Virtual Open Days, Virtual Applicant Days and Virtual Q+A's. Their stakeholder comms plan will focus on creating demand (working with community groups).

People who are unemployed, retraining or upskilling (esp. post Covid-19)

The ADP's Canvas platform is robust and effective and they will be looking at options of 'tasters'; short programmes that will help build student confidence through bite size chunks of learning and online delivery. Virtual Open Days etc will again have a part to play here. The ADP will work in partnership with other providers e.g. CWA.

Large Corporates and bespoke apprenticeship programmes.

The ADP has a strong track record in Degree Apprenticeships, built on a reputation for vocational based HE provision; a brand that will be further carried into Peterborough. Key activities and interventions to target this market segment will include:

1. Leveraging the ADP's existing Degree Apprenticeships course list:
 - a. While these require post-Covid-19 review, those listed continue to be UK wide standards that prevail in the market and are likely to remain relevant.
 - b. The ADP specialises in focusing these on the needs of individual companies and sectors, for example:
 - i. The Chartered Manager Degree Apprenticeships adapted by ARU for the charity sector.
 - ii. The Civil Engineering Site Manager Degree Apprenticeships adapted for Kier.
2. The ADPS approach to Degree Apprenticeships in Peterborough will include:
 - i. Immediately deploying an existing and experienced member of the ADP's Consultancy team to lead the short-term conversation and strategy in Peterborough including desk-based Industry and Business research, contributing to evolving plans via the Curriculum Development and Stakeholder Engagement workstreams and finding quick wins in the market and planning approaches.
 - ii. By March 21 (18 months prior to opening) recruiting a full time Consultant to work with businesses in Peterborough to design and deliver Degree Apprenticeships and learning needs.
3. Leveraging their successful approach to Degree Apprenticeships in Peterborough as exemplars, including:
 - a. ensuring the approach is always market led, collaborating with industry including listening to business needs and then providing co-designed solutions (work with Sanger/Wellcome Trust bringing The Bioinformatics Degree Apprenticeship to market;
 - b. creating long term partnerships from small starts (e.g. BBC and Amazon Web Services in Digital Marketing);
 - c. operating at scale (e.g. as part of a consortium of commercial partners and HEIs to deliver Police Degree Apprenticeships;
 - d. educating organisations on how to use and get the best from their Apprenticeship Levy;
 - e. working with IFA, ESFA, UUK and others to influence policy; the ADP sits on and develops Industry Trailblazers for new Apprenticeship standards with the ESFA, (e.g. as founders of the Digital Marketing Trailblazer with the Post Office and as key members of the 'Building' Standards trailblazer) and is active in the Cambridge Ahead Skills Group.

3.3.3 Impact of social distancing

If social distancing represents even a medium-term expedient, most organisations will run out of space and capital before they can correct their buildings to become Covid-secure and still deliver the same capacity. With estimates varying between 75% and 90%, the net reduction in operating capacity anticipated is beyond the resources of almost all organisations. Nor is it easy simply to accept that the experience in, say, a 30 seat room with 8 people will be the same, or that to put 8 in one room and stream the class to other settings will be considered fair or equitable. Social distancing, therefore, fractures normal practices to levels at which they become a major resource challenge.

As outlined above, the ADP is mitigating risks such as these and is already delivering a range of activity in response to Covid-19 impacts including:

- return to campus planning;
- an agile working and transformation group;
- auditing buildings to ensure that can safely accommodate staff and students;
- communicating with returning students and applicants around a blended September;
- RAG rating all courses for suitability to deliver in different modes;
- timetabling students in a blended mode on campus (splitting the day into blocks)

This best practice will be shared with the new University of Peterborough. In addition, the Phase 1 building will not be at capacity until 2025, ensuring space will available should social distancing be needed into the medium term. Other contingencies include options to use other buildings in Peterborough and/or region e.g. Guild House.

3.3.4 Covid-19 sensitivity test on current operating model

The ADP has committed to managing the new University of Peterborough operating model to ensure it does not fail, managing risks in a variety of ways, outlined above and also to include

- Only recruiting staff as needed, including limiting senior staff costs.
- Flexible deployment of resources and management of costs within the operating model (see risk analysis in chapter 4 above.
- Using market intelligence to decide which courses to continue to develop; those that are not likely to be viable will not be taken forward. Equally, where interest from stakeholders has suggested new courses, the ADP are receptive to moving quickly to create and meet demand
- Careful planning of future building on the Peterborough campus (both timing and configuration) in the light of actual growth in student numbers.
- Sharing costs across the ADP's business will create economies of scale from which the new University of Peterborough will benefit.
- Prudent use of the contingency in the model.
- Monitoring and contingency planning around the journey to independence with clear milestones to check progress, monitor risk and provide accountability.

The Heads of Terms include flexibility (recognising the uncertain times), for example, if student numbers drop and income reduces, the ADP will reduce the cost base accordingly. By operating a shared service model and only employing new staff when demand dictates, the ADP is confident in its ability to manage a financially viable product.

Recessional impacts

Recessional impacts may also drive students to study degrees that are sector specific via Degree Apprenticeships and higher-level degrees in companies that lead to jobs as an outcome. The ADP intends this to be a key feature of the new University of Peterborough offer.

Previously, when recession hits the employed population the ADP have seen that their student mix changes. In the period leading up to and during recession they see fewer employed students join part time courses with more switching to full time study. As industry starts to come out of recession and the employment market picks up, part time numbers start to increase and those students studying vocational degrees become much sought-after individuals from employers.

ARU's market know-how and extensive experience of delivering courses in different modes of study and being able to react to market forces will position them well to utilise this flexibility to deliver the new University of Peterborough successfully. As the second largest of any public university provider in the UK in delivering Degree Apprenticeships, the ADP has a track record of listening, working in partnership and responding positively to employers to shape the curriculum content.

The ADP's proposed portfolio of courses for phase 1 is vocational, employment specific and driven to meet market needs. By offering courses at different levels (level 3 through to level 7) through a variety of study modes (full time, part time, blended) they will have flexibility to cater for different student needs. For example, in their School of Engineering and the Built Environment the ADP runs a combination of full time, placement, part time day release and block release courses leading to foundation degree, honours degree and degree apprenticeship qualifications. Students are able early in their course to move between the different modes of study as the marketplace dictates. At the ADP's London campus, they offer degree courses over two days per week to meet the needs of the student demographic (over 90% mature students), combined with the needs of industry and employers. Students are developing their qualifications and capability while often retaining part time work commitments alongside their full-time studies. This personalised approach to study will be a key feature at the new University of Peterborough's.

From September 2020, the ADP will be delivering face-to-face tuition, supported by online technologies. This experience of responding and succeeding in adversity will play a key part as we develop the new University of Peterborough curricula. Greater use of online technologies and a shift towards a blended delivery approach will suit particular market segments such as those students balancing family and work commitments. The blended delivery mode is one that the ADP uses successfully with Degree Apprenticeships, bringing students together on campus to create a community of learning whilst delivering content that students benefit from through face to face delivery. Learning and professional competence go hand in hand through the delivery process for PSRB accredited courses including Degree Apprenticeships, where theory and practice are inter-related. Offering career relevant courses whether they be in health, business, agri-tech or the creative and digital sectors will be a key selling point as these course lead to future employment.

There are potential positive potential impacts on student numbers, resulting from the 2m forecast job losses over the coming months and high levels of unemployment medium term, as young people and older re-trainers look to move into university to avoid the peak period of unemployment

The vocational, practice-based nature of the ADP's proposed curriculum is designed to be attractive to adult learners seeking to upskill, re-train or join HE. The new University of Peterborough is intended to be a new 'skills engine' for Peterborough and its region, undertaking activity directly with

businesses through Degree Apprenticeships and work-based learning, and through community-based activities and work with local FE providers by providing access courses as a stepping stone to HE.

The 2016 Digital Skills Report showed that the shortage of digital skills represents a key bottleneck for industry and is linked to one in five of all vacancies. There is a mismatch in the types of skill offered by the labour market and those demanded. Over the set-up phase of the project, the ADP will be working with FE providers to ensure the courses being delivered support the skills needed in the 'new normal', that they are delivered in bite size chunks of learning using digital technologies wherever possible and that they provide a grounding to further study and employment.

The ADP also see the reduction in employment levels due to job losses as the stimulus for 18–24 year olds to invest in their future at a time when jobs may be in short supply. The 50+ institutions in the region offering post-16 education provide a 'HE ready' group of students able to engage with the new University of Peterborough industry focussed HE portfolio. The new University of Peterborough's offer is designed to tackle local skills gaps in digital technologies and more specifically advanced and specialist IT skills. There are skill shortage vacancies in Professional, Associate Professional and Technical occupations. Therefore, equipping the next generation of students with relevant technical and practical skills as well as developing their managerial and leadership skills (including people and personal skills) at a time of reduced employment, will be an investment for the future recovery of the economy. Covid-19 has increased interest in health-based courses and this will benefit the new University of Peterborough's offer.

Local provision

Importantly, a key potential impact of Covid-19 is that it might make young people who live locally, more likely to study nearer to home; The new University of Peterborough is designed to fill the gap identified through the "cold spot" and will, therefore, enable more students in the region to study from home should they wish to do so. The ADP has a diverse mix of students and have experience of delivering an educational experience that supports the needs of local students. The ADP will adopt a 'think local, act local' marketing approach and will build their track record of working with underrepresented groups identified by the Office for Students (OfS); the majority of the ADP's students fall at least into one group of disadvantage.

Partnerships

The development of the University of Peterborough's curriculum will be undertaken in conjunction with key stakeholders, using expertise within the ADP to drive curriculum development forward and using many of the methodologies the ADP already uses to engage employers. Course design phase will ensure employer input is firmly embedded through the design and approval process. The ADP's active curriculum model, 'live' briefs and course design intensive process are designed ensure the courses are meeting the needs of both students and employers with a focus on developing the skills needed to seek and be successful in employment.

The ADP is committed to develop new local, regional and national industrial partnerships targeting companies or organisations within the areas of its proposed curriculum. They will prioritise engagement of local companies including Caterpillar, BGL, Bauer Media, Peter Brotherhood and Perkins Engines. These partnerships will match the ADP's key strengths to make the University of Peterborough's sustainable in the medium and long term, comprising

- Short term partnerships with local/regional companies that have the potential to bring immediate results. These partnerships are highly likely to result in employer engagement in

curriculum design and enhancement, student placements, internships and local graduate employment opportunities.

- Medium-term tactical partnerships in response to needs across the education portfolio.
- Long-term strategic partnerships with 1-2 companies in each curriculum area who are keen to engage with the new University across teaching, placements, employability, and further business opportunities including corporate education, research and knowledge transfer.

4 Financial Case

4.1 Financial model and appraisal

4.1.1 Project budgets and funding

The project budget (capital) has been identified and agreed by CPCA for phase 1 of the new University, informed by the RIBA Stage 2 design and cost plan completed by CPCA's design team and is summarised below

Elem Ref		Cost Target £	£ / m ² GIFA
0	Facilitating Works	180,000	34
1-10	Building Works	17,615,541	3,324
	Works Cost Estimate	£ 17,795,541	3,358
11	Fees & Surveys	2,553,499	482
12	Client Project Costs	1,032,900	195
13	Client Contingency (applied to 0-10 and 12)	10% 1,882,844	355
	Cost Limit (Excluding Construction Inflation)	£ 23,264,785	4,390
14	Inflation; to mid-point construction 4Q21 (applied to 0-10 and 12)	3.0% 564,853	107
	Cost Limit (Including Construction Inflation)	£ 23,829,638	4,496
	VAT Assessment (applied at the prevailing rate)	20% 4,765,928	899
	Estimated Outturn Costs	£ 28,595,565	5,395
	"Say"	28,600,000.00	

GIFA
5,300 m ²

The agreed budget incorporates design and survey information from the CPCA's design team, in addition to allowances made for client direct costs, it represents the maximum budget currently available for the design and construction of the physical infrastructure, agreed at £28.6m comprising the following;

- Facilitating Works – all site clearance, remediation, services diversions required to facilitate the main construction works to take place.
- Building works – all substructure, superstructure, internal works, finishes, fittings furniture and equipment, services, external works, and the associated management and supervision by the Main Contractor.
- Fees & Surveys – all design fees applicable by the professional consultants forming the design team, including building control and legal support, plus all associated professional reports and surveys.
- Client Project Costs – the associated client direct costs consisting of loose furniture, wayfinding signage, café fit out, specific ICT enhancements.
- Client Contingency – contingency funds applied to the facilitating works, building works and client direct costs to cover increased costs resulting from progression and maturity of the design and associated project risks.
- Inflation – accounting for increases in building costs to the mid-point of construction
- VAT applied at the standard rate as applicable.

The phase 1 capital build is to be funded through multiple streams comprising a combination of capital investment and secured loans. The table below, sets out the proposed sources of funding for the capital investment required by the project.

Funding Source	Amount (£)
CPCA Capital Investment	12,300,000
LGF Investment Funding	12,500,000
The ADP's Capital Investment (anticipated)	3,800,000
Total Funding (Phase 1 only)	28,600,000

The underlying basis of the funding model is that CPCA's commitment will be solely capital funding for the construction of the Phase 1 building including £12.5m funding secured from the Local Growth Fund (LGF), which is required to be spent by March 2021. In order to ensure these terms are met, CPCA have confirmed that the funds will be defrayed into the PropCo project bank account by August 2020. The LGF funding terms also stipulate that the LGF capital is repaid in full by September 2028 through a single lump sum payment. The impact of this on project cash flow is identified in section 4.1.2 below.

The Academic Delivery partner will provide a capital contribution to the construction shortfall, capped at £6.5m. It is currently anticipated that this contribution will be £3.8m (subject to confirmation of the construction contract costs through procurement of the Main Contractor). The initial investment for start-up costs and the ongoing operational cashflows will additionally be the responsibility of the ADP; CPCA will have no responsibility or obligation to underwrite such cashflows.

4.1.2 Financial model and appraisal(s)

PropCo/CPCA

For the phase 1 project it is essential that funding is available to proceed with completion of the design and to secure a Main Contractor for the construction and delivery of the phase 1 building, for August 2021. A cash-flow forecast has been prepared to identify the impact on PropCo's finances and forecast the anticipated funding requirements. CPCA is currently committed to a cumulative cost of £1.87m and, following approval of this FBC, it will assume a further commitment of £480,000 for completion of the phase 1 design, the payment of cost overruns will be agreed between parties in finalisation of the main agreements

PropCo will need to ensure sufficient funds are allocated to enable payments in line with the agreed fee draw down schedule. The most significant financial milestone occurs in November 2020, when it is expected that PropCo will enter into a binding contract with the Main Contractor for the design and construction of the phase 1 building. To ensure appropriate funds are available to enter into this contract, a separate Project Bank Account is to be set-up by PropCo, with the investment of each shareholder held in the account. This will ensure that PropCo has the required funds to cover the construction costs, providing certainty of payment for the Main Contractor and their supply chain, and ensuring that cash funds are readily available for PropCo to make payments as required. A full cash flow forecast for the Phase 1 construction is included at Annex 6.7.

The key funding milestones are shown in the table below.

Period	Financial Milestone	Cost	Cumulative
Jul '19 - Feb '20	Original Budget Approval to Spend	£539,570	£539,570
Mar '20 - Jul '20	Spend to completion of FBC	£1,334,696	£1,874,266
Aug 20' - Oct '20	Finalisation of design	£479,650	£2,353,915
Nov '20 - Onwards	Commitment to Contract Sum	£26,241,650	£28,595,565

The funding sources, as identified above, are all secured with the exception of ADP's financial contribution (expected to be capped at a maximum contribution of £6.5m) which is agreed within the Heads of Terms and awaiting execution of the main transactional agreements. This introduces a critical risk to funding the capital costs of the project, i.e. the risk that the £6.5m contribution cap could be insufficient to meet any increase in construction costs (e.g. arising from Covid-19 impacts).

UniCo/ADP

A key project objective is to create a sustainable operating model for the new University such that, after initial start-up costs, the University will operate on a self-sufficient basis. The fundamental principles of a sustainable operating model include:

- Effective control of costs in relation to tuition fee income (this is at the core of the operating model).
- Recognition that estates/asset maintenance must be prioritised to avoid backlog maintenance liabilities that add to corporate risk profiles and undermine the core of the operating model.
- Ensuring all operational costs are covered by generated incomes, and any surpluses generated support reinvestment in new facilities to support further growth.

The operating model for the new University has been developed based on forecasts of student and staff numbers provided by the ADP, and includes the following working assumptions:

Income:

- Tuition fee income is forecast based on a range of full time and part time courses proposed by the ADP, including undergraduate and postgraduate courses both on-campus and off-campus.
- The average tuition fee is based on £9,000 per student FTE (after allowing for both premium fee levels and bursaries/hardship grants and other fee discounting practices).

Staffing:

- Staff will be provided on a 26:1 student to staff ratio.
- The above ratio accounts for all Faculty Staff, Heads, Academic Directors, HR, Finance, Academic Registry, Student Services, ICT heads, Marketing, Vice Chancellor's Office, Marketing and Admissions.
- Staff provision is split between academic staff and faculty professional services staff on a 3:1 ratio.
- Additional staff for the development phase have been included (19 professional staff, 5 academic staff and 1 Project Manager).
- Staff costs will be on an average full time equivalent £65,000 for Academic staff and £35,000 for Professional services staff, allowing for a range in grades and levels of seniority.

Non-Pay Costs:

- Non-Pay costs cover costs such as advertisement, printing, stationary, books, consumables, scholarships, bursaries, staff non-pay costs (travel, development and employee related costs), contract and professional fees.
- Costs are calculated at 35% of faculty staff costs.
- OfS will require student support arrangements which will include scholarships or bursaries within the Access and Participation Plan.

Estates OPEX:

- Estates running costs have been calculated on a rate of £200/m² of Gross Internal Floor Area (GIFA) (5300m² for phase 1), increasing in line with the proposed growth over subsequent phases to a; total GIFA of 13,658m² by 2028/29
- This rate is to include all operational running expenditure such as cleaning, utilities, rates, and insurances

Asset & Estate Maintenance:

- Long-Term maintenance costs are assumed to be 1% of generated income on a rolling basis to maintain the estate. This figure has been generated based upon the current ADP values of Long Term Maintenance as a percentage of income.
- Rent & lease costs are assumed to be £140/m², following an initial rent-free period of 10 years.

Other Costs:

- It assumed that the non-pay costs associated with indirect professional services costs are 29% of income. This includes the indirect costs associated with professional services.
- 2% inflation rate is applied to pay and non-pay costs.

ICT Start-up Costs:

- Software and infrastructure costs are included for the start-up phase as a year zero cost.
- Contingency is built into the model and continues at £1m per year from 2023/24 onwards.

Shortfall:

- A shortfall in funding of £5.4m will be required to be bridged to support the start-up costs for the new University. The shortfall is to be funded by a loan to UniCo from the ADP assumed to be repayable at a rate of 2.5% over 5 years. This results in a total repayment of £5.75m which is included within the operational and financial models.

The operating model does not generate sufficient surplus cash necessary to pay off capital provided by the LGF investment, nor does it account for any repayment of LGF investment funds. *The LGF investment was approved by the Business Board and Combined Authority Board on the proposed repayment by 2028 in the original LGF application, which stated that there would be an option in 2025 or 2028 to review the grant investment repayment in light of its agreed outputs and outcomes. The CPCA proposes that this will only be done after consultation around best value options and market interest for disposing of the shares in the PropCo either to the ADP or a third party in accordance with the terms agreed in the shareholders' agreement.*

The financial model attached at Annex 6.8 forecasts revenues and expenditure for the period to 2030/31 in line with the longer-term ambitions of CPCA. Initial start-up costs are anticipated to exceed the available budget and the ADP will provide working capital to cover this anticipated as

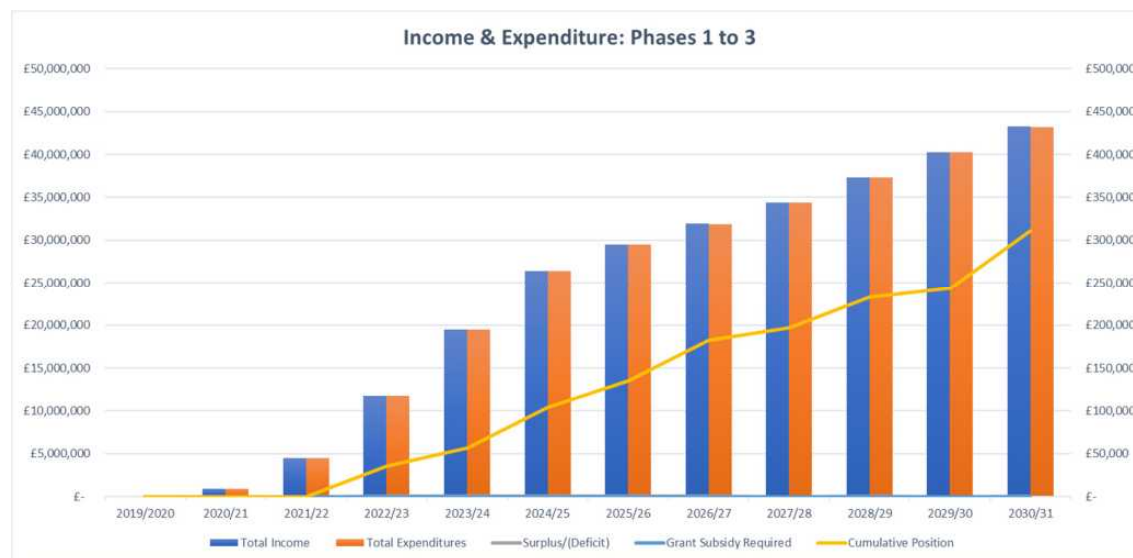
£5.4m deficit through a loan, as set out above. Provided that the broad scale of recruitment envisaged by the curriculum model proposed by the ADP is achieved and costs are controlled, this should be a matter of effective cashflow management and short-term financing.

The costs associated with facilities management have been provided by the ADP and are based upon a rate of £200/m² benchmarked against the ADP's internal data. These costs have been reviewed against internal cost data provided by CPCA's professional advisors (Mace FM Limited) and benchmarked against reputable and well-established independent industry data, with the conclusion that these costs represent fair and reasonable allowance. The costs associated with facilities management include all aspects of hard and soft facilities management, incorporating: insurances; routine maintenance; security; cleaning and waste management; energy usage; telephone communications; and general real estate management.

Mace FM Limited have advised that as a rule of thumb a cost of 1% of capital expenditure per has historically been applied to public sector projects under a design, develop, construct and operate contract to determine affordability prior to agreement of contracts. This relates to major replacements only and is in addition to the routine maintenance costs incurred in preserving the assets to ensure they reach their optimum life expectancy (covered by the facilities management costs). In this financial appraisal long term maintenance has been based on 1% on this basis.

The financial operating model presented includes the operational costs and incomes of the new University building only. The capital costs of the project and associated building phases are to be funded from other sources as set out above.

The financial outputs from the operating model are summarised in the chart below, with further details of project cash flow are provided in the tables.



	Start Up Phase			Phase 1		
Academic Year	2019/2020	2020/21	2021/22	2022/23	2023/24	2024/25
Total Income	£ -	£ 927,600	£ 4,472,400	£ 11,780,500	£ 19,499,425	£ 26,410,000
Total Expenditures	£ -	£ 927,600	£ 4,472,400	£ 11,745,000	£ 19,478,500	£ 26,362,700
Surplus/(Deficit)	£ -	£ -	£ -	£ 35,500	£ 20,925	£ 47,300
Cumulative Position	£ -	£ -	£ -	£ 35,500	£ 56,425	£ 103,725
Grant Subsidy Required	£ -	£ -	£ -	£ -	£ -	£ -

	Phase 2			Phase 3		
Academic Year	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Total Income	£ 29,532,375	£ 31,921,625	£ 34,365,400	£ 37,346,550	£ 40,264,725	£ 43,249,850
Total Expenditures	£ 29,500,900	£ 31,874,900	£ 34,350,700	£ 37,310,900	£ 40,253,500	£ 43,182,200
Surplus/(Deficit)	£ 31,475	£ 46,725	£ 14,700	£ 35,650	£ 11,225	£ 67,650
Cumulative Position	£ 135,200	£ 181,925	£ 196,625	£ 232,275	£ 243,500	£ 311,150
Grant Subsidy Required	£ -	£ -	£ -	£ -	£ -	£ -

The start-up phase identifies the requirement for £5.4m working capital prior to opening to students in phase 1 (2022/23). This will be funded by a short-term loan secured by the ADP, to be repaid over a 5-year period, and is included within the financial operating model shown in Annex 6.8.

The operating model shows sufficient revenues are generated throughout to cover operational costs, on a broadly breakeven basis from 2022/23 and revenues generated appropriately thereafter to fund the ongoing operational expenditures, with a marginal profit delivered year on year which reaches no greater than 0.3%.

The operating expenditures run very close to the revenues generated and there is a linear relationship between revenue and expenditure, which indicates that economies of scale and operational efficiencies are not anticipated.

Continued growth in revenue is predicted over subsequent project phases as a direct result of increases in student numbers and income generated via tuition fees. The reported revenues are based on student numbers identified by the ADP across a range of course types including full time, part time and distance learning-based tuition.

The cumulative position is illustrated by the yellow line within the chart, demonstrating that only a marginal surplus is generated in the model. The start-up phase does not generate any surplus, and the revenues identified are only sufficient to cover expenditures. Throughout each phase approximately £100,000 surplus is generated, culminating in a total of £311,000 at the end of Phase 3, which would be insufficient to fund any future infrastructure expansion plans, which in turn will require capital investment from alternative sources.

4.1.3 Risk analysis

Whilst the shadow financial model set out in the OBC targeted a surplus to be generated each academic year, the financial model provided by the ADP shows only a marginal surplus in each year and does not generate significant financial returns. This is a direct result of reduced targeted student numbers and increase staff costs within the ADP's model.

The differences from the OBC financial model and the associated risks are analysed in summary below:

- The shadow financial model included higher turnover figures as a result of higher **student numbers**, whereas the ADP's model is based on lower student numbers, and as student

numbers grow as a result of future growth, increased revenues are offset by increased operational costs. The absence of **economies of scale** as student numbers increase leaves scope in the model for greater efficiencies in operational expenditure. The current model, therefore, represents a worst-case scenario in this respect.

- The ADP's model sets **staff costs** at a much higher rate than the shadow financial model, starting at 56% of income, and rising to 64% of income (the shadow financial model limited staff costs at 52% of income). This also leaves scope for future cost reductions that could further improve the outcome of the financial operating model. Conversely, the financial model is very sensitive to **cost inflation** (e.g. University staff pay increases), which may reduce the scope for economies of scale and operating efficiencies to yield financial savings.
- Costs for asset maintenance are shown as 1% of income. The shadow financial model set asset maintenance at 5% of IRV, which is more typical for Higher Education. There is a risk that 1% of revenue will result in **underfunding of building maintenance**, with resultant deterioration of the asset. Should maintenance costs be increased to 5% of IRV this would have a detrimental impact on the operational model and further funding may be required if the **contingency provision** is insufficient (see below). The ADP and CPCA are continuing to develop the details of the main transactional agreements, including flexibility in building design to meet requirements of the University and the portfolio of courses intend to be offered. As the design progresses is finalised there may be opportunity to **review the costs associated with long term maintenance** that could result in an improvement on the current forecast figures.
- The financial model does not include any **rent payments** to PropCo (i.e. it assumes a 10-year rent-free period). At the end of the 10 year rent free period PropCo will agree, as part of the rent review defined in the agreement to lease, any rent to be paid; PropCo will determine how this income will be used. Rent payments beyond the rent-free period will adversely affect the model in that period and, given the marginal operating surplus in the first 10 years this could result in a deficit once rent payments fall due.
- The operating model indicates the £5.4m start-up costs being funded by a short term (5 year) loan, based upon a 2.5% interest rate. There remains a low risk to the project that this **interest rate** may not be achievable, resulting in a higher loan repayment. Conversely, there may be opportunity under the current economic conditions for betterment in the 2.5% interest rate assumed.
- The financial model includes an ongoing **contingency** provision throughout the ten year period, averaging approximately £1m per annum. Given the other risks inherent in the financial model, this contingency provision will be a critical tool for management of financial risk in the operation of the new University, including the risks described above. If the contingency is not required, it represents a potential opportunity to provide betterment to the financial model.

A key risk under in current climate (most notably the **impacts of Covid-19**) that the level of student fees assumed may not be achievable and that students may expect a reduced tuition fee should additional distance learning and e-learning principles be applied. A reduction in revenues would negatively impact the operational model, should staff numbers and staff expenditure remain unchanged, and could lead to an annual deficit.

Conversely, as described in detail in section 3.3, the impact of Covid-19 could lead to higher numbers of students studying from home, which fits well with the business model for the new University and could, therefore, deliver student numbers in excess of those included in the ADP's forecasts.

Furthermore, the ADP's analysis of HE demand in the region, predicts an increase in the number of 18 year olds over the next 5 years leading to a 13% increase in students entering HE by 2025 with a static participation rate of 44%, and a 20% increase if the participation rate grows to the England average of 47%.

Sensitivity testing of the operating model shows that a 1% net loss of revenue will translate into a cumulative deficit of approximately £300,000 within 3 years (i.e. by the end of Phase 1). If revenues fall by 3%, that deficit exceeds £1m and at 5% approaches £1.9m. Therefore, the sensitivity of the model to fluctuations in revenues is very high. Flexibility in the operating cost base has been identified by the ADP as a scalable factor and a contingency budget is included in the model, however there are likely to be other calls on such contingencies and with such low initial margins, operating costs may be set too high to create a sustainable model. Further attention will be given to these variables during detailed negotiations with a view to achieving a target surplus in a range acceptable to both partners and which will help to mitigate these risks.

As a matter of principle for on-going operations once the main transactional agreements have been finalised, the new University pedagogy will need to be managed by the ADP to ensure that the predicted revenue generated from tuition fees is realised and the costs are managed to match the student numbers and hence reasonable and sustainable surpluses achieved. A more detailed assessment of the potential impacts of Covid-19 on the ADP's business model is provided in section 3.3.

Furthermore, the Collaboration Agreement will include terms to ensure an organised termination of the ADP's involvement with UniCo, provided always that UniCo will remain entitled to occupy the facilities on a rent-free basis during the period required to teach out students enrolled on the ADP's courses in Peterborough. As outlined in section 1.4 above, the transactional documentation will also include further remedies for any failures by the ADP to achieve the plans set out in those documents including ADP working with CPCA, PCC and PropCo (with the aspiration for there to be a long term continuing relationship between the new University and the ADP beyond the achievement of University Title to support the long-term sustainability of UniCo as a university).

The LGF investment requires repayment by 2028. As the surpluses forecast by the financial model would not provide sufficient funding to support this repayment, it is proposed that this will be funded by selling CPCA's equity investment in PropCo either to the ADP or a third party as provided for in the Heads of Terms.

As outlined above, the operating model does not generate sufficient surpluses to build reserves to fund the expansion of the new University in phases 2 and 3 nor is there adequate headroom to underpin borrowing to fund such expansion. Alternative funding strategies for the future expansion phases will therefore need to be developed by CPCA to facilitate further growth in student numbers. A key risk is that such funding is not obtained and, therefore, the physical infrastructure to allow the phase 2 and 3 expansions cannot be completed, which in turn would impact adversely on the student numbers and income assumed financial model.

4.2 Affordability

The project funding position is outlined in the table below, with project funds generated from a combination of CPCA's own funding and Local Growth Fund investment, supported by financial contribution from the ADP. All figures are inclusive of VAT and other tax requirements.

Funding Source	Amount (£)
CPCA	12,300,000
LGF investment Funding	12,500,000
ADP's anticipated capital investment	3,800,000
Total Budget	28,600,000
Construction Works (Phase 1 building, inc. Client Directs and Contingency)	28,600,000
Land Acquisition (gifted at £1.87m value by PCC as part of PropCo)	0
Total Expenditure	28,600,000
Balance	0

The land acquisition will be invested by PCC with an approximate value of £467,500 per acre, totalling £1.87m, which will form the PCC contribution to PropCo. The final value of land is yet to be agreed against Section 123, and will determine the extent of PCC's shareholding in PropCo.

The capital expenditure and financial investment from CPCA and the LGF for the Phase 1 construction project is capped at £24.8m with the remaining investment provided by the ADP. The current anticipated investment required by the ADP is £3.8m and it is agreed that the ADP's financial contribution for the build will be capped at £6.5m (independent of short-term loans secured for the start-up costs). The table below demonstrates how the Phase 1 capital spend will be utilised. As described in section 3 above, the construction and project cost has been benchmarked against other HE projects of similar scope and size and supports the conclusion that the proposed phase 1 building can be delivered to a suitable standard within this budget, and within acceptable cost parameters for a HE building.

Elem Ref		Cost Target £	£ / m ² GIFA
0	Facilitating Works	180,000	34
1-10	Building Works	17,615,541	3,324
	Works Cost Estimate	£ 17,795,541	3,358
11	Fees & Surveys	2,553,499	482
12	Client Project Costs	1,032,900	195
13	Client Contingency (applied to 0-10 and 12)	10% 1,882,844	355
	Cost Limit (Excluding Construction Inflation)	£ 23,264,785	4,390
14	Inflation; to mid-point construction 4Q21 (applied to 0-10 and 12)	3.0% 564,853	107
	Cost Limit (Including Construction Inflation)	£ 23,829,638	4,496
	VAT Assessment (applied at the prevailing rate)	20% 4,765,928	899
	Estimated Outturn Costs	£ 28,595,565	5,395
	"Say"	28,600,000.00	
		GIFA*	
		5,300 m ²	

Conclusions

Project affordability is, therefore, critically dependent on:

1. securing the LGF investment capital funding within the project bank account;
2. the capital funding from the ADP being sufficient to close the funding shortfall required for the proposed phase 1 building (up to £6.5m has been agreed through the procurement);
3. ARU securing the start-up loan on adequate terms to bridge the cash-flow gap indicated in the financial model; and
4. risks associated with income (student numbers) and expenditure being able to be mitigated through cost control, increased income and/or use of the contingency provision.

Subject to these considerations, at this stage of project development and implementation, it is anticipated that funds will be available (as described above) to meet both the project budget and the requirements of new University operating model.

With respect to the infrastructure works, no cash-flow implications are anticipated for CPCA or PCC as all funding to be provided by them (including LGF grant) will be in place before the construction phase goes ahead and liability is sat with PropCo.

5 Management Case

5.1 Stakeholders

The stakeholder analysis associated with the new University project can be split into two phases: first the design procurement and delivery of phase 1; and second the set up and operation of the new University (phase 1).

The stakeholder analysis described in the OBC remain broadly unchanged, albeit with the inclusion of the ADP following contract award.

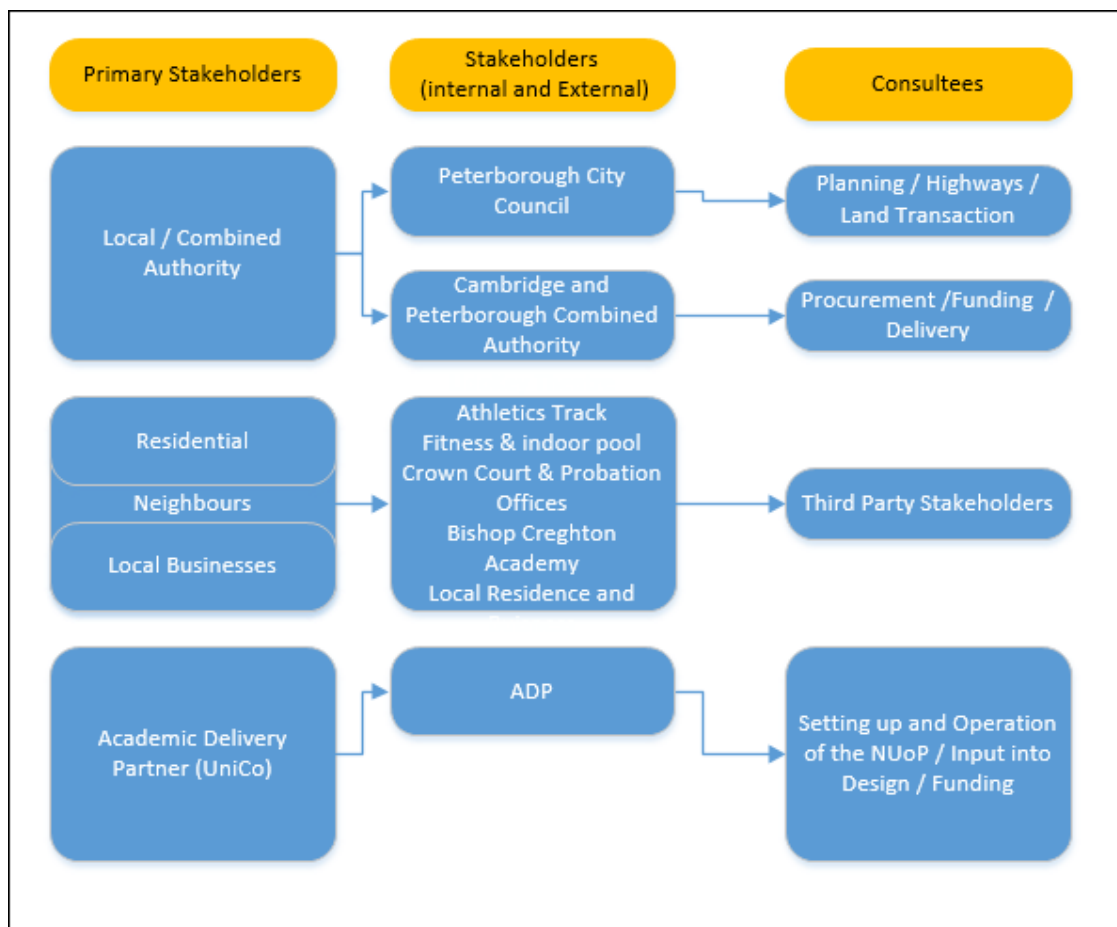
This FBC describes the approach to stakeholder management during the design, procurement and delivery phase and in the setup and operation of the University.

Design Procurement and Delivery of Phase 1

The communications strategy will be managed by CPCA, as service provider to PropCo, with support from the external consultants in the design procurement and delivery of the university phase 1.

The project has a number of stakeholders, summarised in the following categories.

1. Peterborough City Council (PCC) and Cambridge & Peterborough Combined Authority (CPCA).
2. Neighbours including local residents and owners.
3. Academic Delivery Partner.



These key internal and external stakeholders will be managed by CPCA and its appointed team of consultants led by Mace, in consultation through the design procurement and delivery of phase 1 on behalf of PropCo. The stakeholders will be managed under an agreed communications strategy underpinned by the PropCo collaboration agreement, between PCC, CPCA and the ADP.

Set up and Operation of the New University of Peterborough

From award of the contract and signing of the collaboration agreement at the end of August 2020, the ADP will be responsible for the management of associated stakeholders to achieve the objectives of the new University, working with employers and stakeholders in the communities the University will serve. This will be led and managed by the ADP in consultation with PCC and CPCA.

5.2 Achievability

CPCA and PCC have put in place the resources needed to manage the work streams required to deliver the project, based on an understanding of the shared goals. Those goals and the resource requirements for CPCA and PCC are set out in the Collaboration Agreement as part of the PropCo agreements and the Service Agreement for delivery of phase 1. Both authorities have to date provided resources in line with those requirements and both are, therefore, confident that the project is achievable based on their readiness and the available resources to meet the requirements of both agreements.

CPCA have appointed external consultants, where required, to ensure the necessary capacity and capability is available for successful implementation of the project including:

- Design, project and cost management and education specialists: as described with in the project management section below.
- Legal support: Pinsent Masons.
- Fundraising: Dayton Bell who wrote LGF bid.

Further external support or internal resources will be secured and deployed should any capacity/capability shortfalls be identified, subject to governance approvals, to ensure the project is fully resourced for successful delivery. At the time of writing the only additional resource requirement identified is for post-project evaluation.

PCC have provided resources to support the project, including through their Interim Development Director and internal legal support.

The ADP has put in place the resources needed for project delivery based on the timeline from contract award (see section 3 above). The ADP has provided details of the resource profile as an indication of current thinking of resource planning including the recruitment and employment of Senior Management, Academic and Professional staff, based on the proposed student numbers and staffing forecasts within their final submission. With the recruitment of the Principal starting within six months of the contract award starting with appointment of the Principal 12 months before opening of the new University. The ADP is committed to added value in recruitment as set out in the following extract from their final submission:

Economic: *We will ensure we adopt a 'think local' policy for recruitment of staff and procurement of resources to XXX-X, so that we develop a circular economy and keep as much wealth as possible in the local area*

Social: *Our Recruitment Policy already supports applications from individuals with protected characteristics and this will also be embedded in recruitment of staff at XXX-X. We believe XXX-X needs to a place where the community feels welcome.*

5.3 Project management

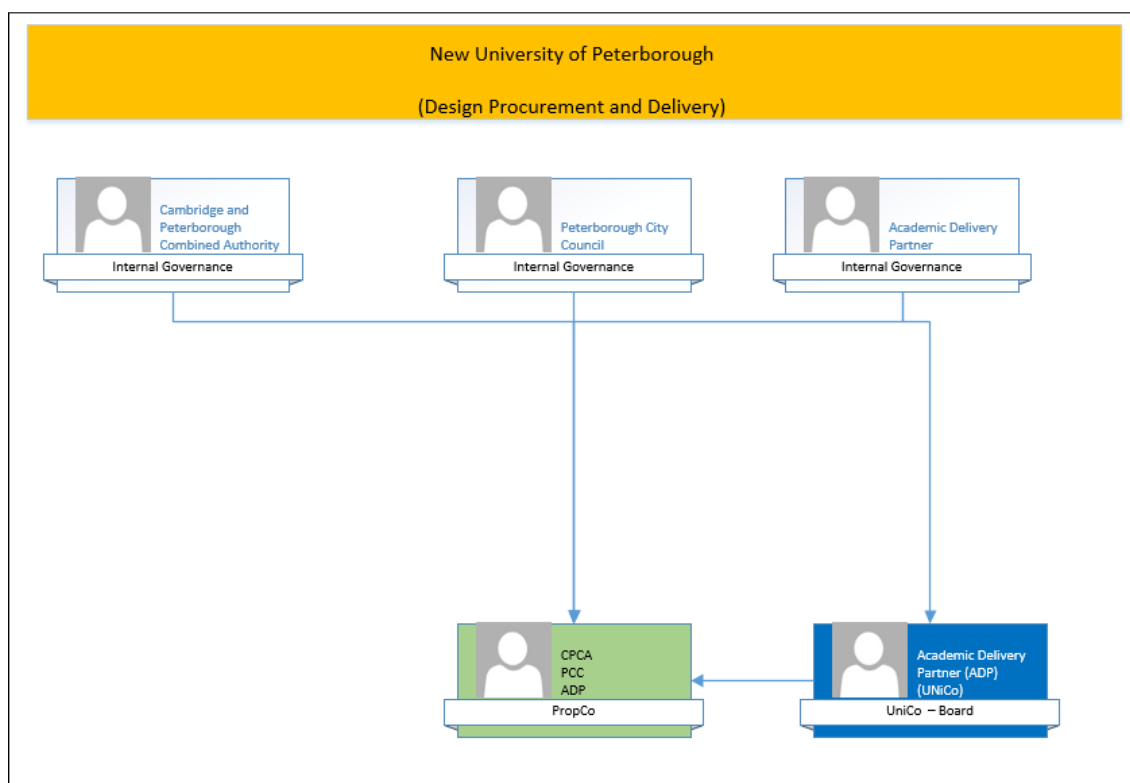
5.3.1 Structure and Governance

Project governance has been established to reflect the arrangements within each organisation and specific terms of reference for the project will be mandated by each organisation.

- CPCA governance requires all decisions to be mandated by the CPCA Board. All decisions required for the project will be submitted to the CPCA Skills Committee and the Business Board and then taken to the CPCA Board for final approval.
- PCC governance arrangements require all decisions to be mandated by PCC Board in the same way that CPCA do.
- ARU governance is led by its Vice-Chancellor's Group (VCG) which acts as a forum for discussion of strategy and direction, and determination of high-level priorities for approval by the Board of Governors. The University Executive Team (UET) is the formal, senior decision making body of the University (under delegated authority from the Board) and the wider Corporate Management Team (CMT) acts as a forum for discussion and development of strategy and operational delivery, bringing together all Director-level appointments whom are based at the main campuses of the University. One member of CMT will be the Principal

of the new University of Peterborough reporting directly to the Vice-Chancellor and leading the Peterborough Development Team, working closely with the CPCA and key stakeholders.

Following completion of the legal agreements in August 2020, the three parties (PCC, CPCA and the ADP) will be governed by the suite of legal agreements which defines parties' contractual obligations in realising the New University of Peterborough. This is outlined in the diagram below:

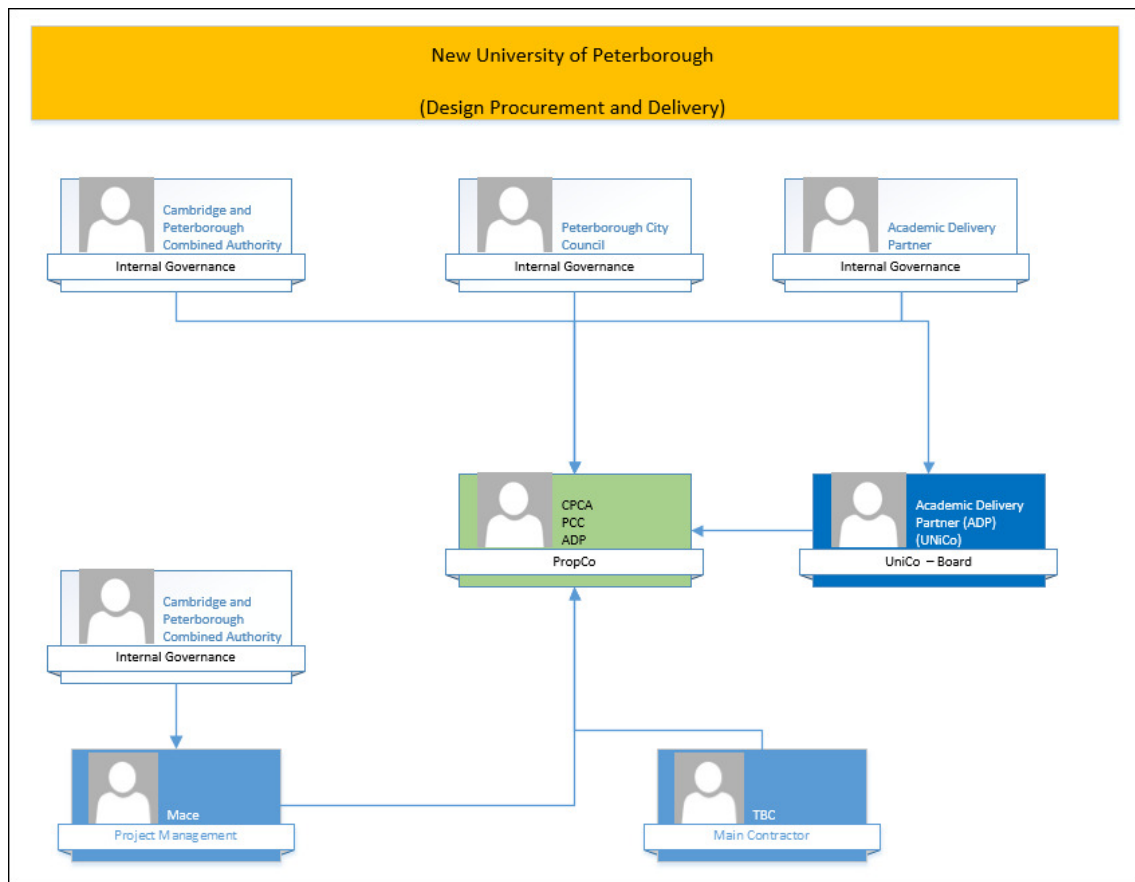


CPCA will, under the Service Agreement be granted authority by PropCo to manage the design, procurement and delivery of phase 1 within parameters agreed with PropCo. Responsibility for the delivery of phase 1 will be mandated to the Transition Board and Project Management Board until the suite of legal arrangements are signed in August, thereafter it will be managed within PropCo. The CPCA Service Agreement will remain in place for the term during which CPCA holds shares in PropCo.

The main contractor will report to the Board of PropCo via the contract administrator (Mace) in respect of the agreement of the contract sum, enabling works and delivery of phase 1.

Day to day management and progress meetings will be managed by the contract administrator and will include the ADP (as tenant) and the Main Contractor for delivery of the phase 1 building.

The organisational structure for the delivery of phase 1 is outlined below.



5.3.2 Roles and Responsibilities

Cambridge and Peterborough Combined Authority (CPCA)

The new University project is led by CPCA in partnership with PCC and this relationship is formalised through the Subscription Agreement and will be documented in more detail in the main transactional documents to be executed in August 2020

CPCA (led by Kim Cooke, Skills Strategy Manager/Lead for new University) is providing leadership for development of this project and to ensure a professional team is in place to support the design, procurement and contract administration for delivery of the infrastructure for the new University.

CPCA will provide funding to support the development of the new university through existing capital monies and grants and further grant applications to be made to support future phases.

Peterborough City Council (PCC)

PCC is working with CPCA to support the delivery of the new university in partnership with CPCA and this relationship is formalised through the Subscription Agreement and in particular is providing the land for phase one of the project.

ARU

As described in section 3, the ADP will provide the skills, knowledge, experience and resources to make a practical reality of UniCo as a new higher education provider and ultimately a university with degree awarding powers and University Title. They are also a JV partner providing finance for development.

This includes responsibility for:

- Staff recruitment

- Curriculum design and development
- Staff workload planning, resource scheduling and timetabling
- Student recruitment, marketing and admissions
- Student and academic services and systems development
- Library and learning resources services/systems
- Strategic planning, finance and governance services and systems development (including full Head Office / VCO functions)
- Full range of 'soft' FM and ICT services and resources

Consultant team

CPCA and PCC are supported by professional team of consultants, procured by CPCA to develop the master plan for the proposed site and support procurement of the ADP and Main Contractor. Mace limited will remain in contract with CPCA to take responsibility for the management of the design procurement and delivery of Phase 1. The core design team will be novated to the main contractor on completion of RIBA 3. Novated consultants will include MCW, CPW, S&W and LUC, the remaining consultant's commissions will end on completion of the RIBA 3 design.

The Consultant team consists of:

1. **Mace Limited** – project management, cost management and facilities management
2. **Moses Cameron Williams (MCW)**– architecture
3. **Couch Perry Wilkes (CPW)** – mechanical and electrical engineering, environmental
4. **Smith and Wallwork (S&W)** – structural and civil engineering
5. **Land Use Consultant's (LUC)** – landscape design
6. **CPB Projects** – Education
7. **PTS Consulting** – IT consultancy
8. **Pegasus** – planning consultant
9. **Hewdon** – economic consultants

5.3.3 Project Plan

Since approval of the OBC, the key milestones have largely be achieved on programme despite longer negotiated process as part of the procurement of the ADP and accommodating the increase of building area from 3500m² to 5300m² arising from changes required by the ADP, resulting in a revisit of RIBA 2 design, delay to planning submission and increase in the construction duration. These delays have largely been accommodated by using up the terminal float in the programme and postponing submission of planning until after submission of the FBC with determination remaining ahead of contract award.

The project plan has been developed around the following key dates:

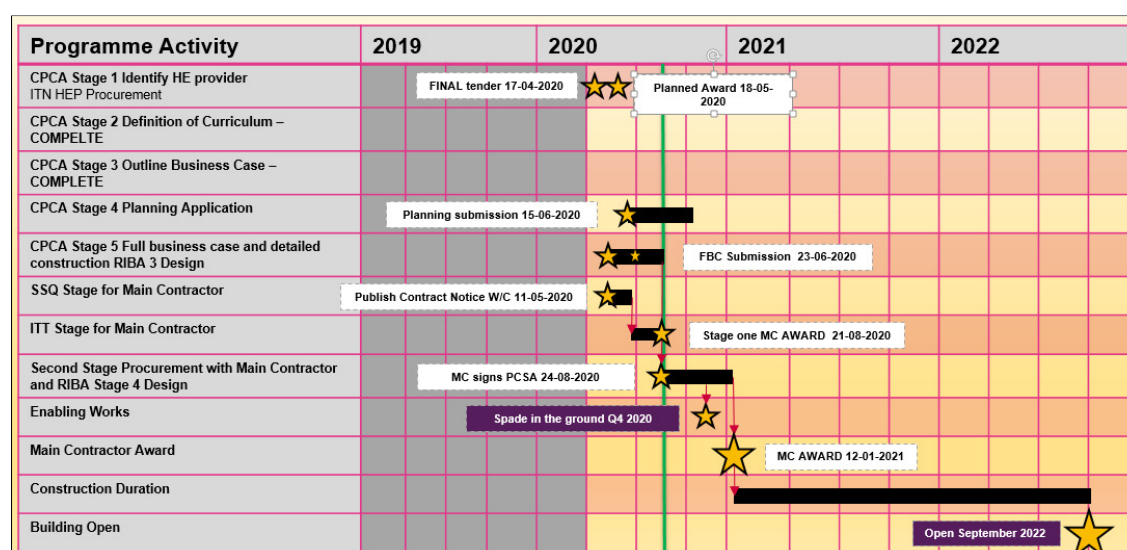
1. Spade in the ground (commencement of phase one) Q4 2020
2. Completion of phase 1 (for occupation) September 2022.

To achieve these milestones there are three key work streams:

1. Develop, design and procure a Main Contractor to deliver phase 1 infrastructure.
2. Sign off of the Full business case with delegated authority to develop design and procure a main contractor
3. Enter into SPJV (special purpose Joint venture between PCC, CPCA and the ADP) by January 2021 to provide sufficient time to deliver phase one for September 2021.

To meet the key dates it has been necessary to twin track these workstreams, in particular development of the brief for, and procurement of, the ADP and development of the design and planning determination for phase 1. These two work streams have come together into one unified workstream slightly later than outlined in the OBC, due to the extended procurement phase for the award of the ADP, to be achieved at the end of August 2020 subject to approval of this FBC, after which the project will be progressed under the SPJV.

The illustrative programme below shows the current work streams; the critical path requires that the ADP is awarded the contract and is able to sign the main transactional documents with CPCA, PCC and the ADP by the end of August following approval of the FBC in July. This will be followed by award of the first stage of the Main Contractor procurement with a single contractor to achieve spade in the ground in Q4 2020 and satisfaction of all the conditions precedent by January 2021 concluding with appointment of the Main Contractor to deliver the phase 1 building by September 2022. The full project plan is attached at Annex 6.9.



5.4 Change management

The strategy, framework and plan for dealing with change will be embedded in the legal documents.

Change management will take place under two scenarios: delivery of phase 1 of the new university by PropCo and subsequently the operation of the university by the ADP (UniCo).

The key principles are that PropCo will delegate authority to CPCA and its agent to manage the delivery of phase 1 under the Service Agreement. Should change be required that is outside that mandated to CPCA under the Services Agreement then authority will need to be sought from PropCo.

The ADP (UniCo) will have sole responsibility for the operation of the new University reporting to PropCo on an annual basis in respect of the building condition and maintenance and review of the roadmap which sets out the intended corporate and academic governance arrangements for delivery of higher education courses by UniCo (moving towards registration with the OfS degree awarding powers and University title). The parties agree to review each of the roadmap, milestones and steps towards them on an annual basis to consider whether the plan remains achievable and compliant and where it is not believed to be so, to agree changes to be made.

5.5 Benefits realisation

The benefits sought from the project are a critical element of CPCA's programme under the Devolution Deal. Benefits realisation arrangements, within overall project governance, must, therefore, ensuring benefits are realised over the life of the project.

The objectives and benefits of the project will be realised at key project milestones as follows:

1. Completion of the main transactional agreements which will formally launch the project. CPCA via its officers and the Skills Committee will oversee this step. The incorporation of UniCo is "Step 1" of the Roadmap set out in the Heads of Terms.
2. The strategy for identifying, planning and tracking the detailed benefits (outlined in earlier sections of this FBC) is set out in Collaboration Agreement and includes:
 - a. UniCo will start to provide education at the beginning of academic year 2022/23 ("Step 2" of the Roadmap).
 - b. UniCo will register with the Office for Students by the beginning of academic year 2025/26 ("Step 3" of the Roadmap).
 - c. UniCo will be granted unlimited taught degree awarding powers (TDAP) by the beginning of academic year 2028/29 ("Step 4" of the Roadmap).
 - d. UniCo will be granted University Title by the beginning of the academic year 2032/33 ("Step 5" of the Roadmap).
3. Meeting KPIs, milestones and targets agreed with the ADP prior to opening in 2022. The Roadmap in the Heads of Terms will evolve into a formal Benefits Roadmap/Register and be underpinned by SMART KPIs. Changes will be evaluated by reference to this FBC and the Benefits Roadmap to ensure that project decisions are consistent with the benefits sought and that benefits ownership is integral to the working of the partnership.
4. Meeting the agreed milestones and targets for design and delivery of the physical Infrastructure. This will be managed via PropCo in line with the agreed programme for completion of the phase 1 building.
5. Following opening, maintaining agreed KPIs, milestones and targets within the operational plan agreed with the ADP.

Responsibility for benefits realisation will be for PropCo and UniCo within their respective spheres of responsibility.

Infrastructure

The agreed infrastructure milestones and targets will be reported against at monthly PropCo Board meetings by CPCA who will be granted authority under the service agreement to act on behalf of PropCo to manage the delivery of phase 1 to practical completion and close out of 12 months defects.

Academic Delivery Partner Benefits Realisation

Milestones, targets will be set out in the Collaboration Agreement. These will be audited under the terms of the Collaboration Agreement and will be reviewed on an annual basis. The next two years will be critical to the success of the new University. Pending formal establishment of UniCo ("Step 1"), The ADP will establish shadow arrangements. CPCA will ensure that the recruitment planning and early stage development is consistent with this FBC prior to UniCo becoming fully responsible for realisation of the academic benefits. CPCA will then monitor progress (including benefits realisation) in line with the arrangements set out in the Collaboration Agreement and points 1-5 above.

5.6 Risk management

A detailed project risk register (including risk control strategies) has been developed (attached at Annex 6.1) based on the following risk categories:

1. Surveys and Site Constraints
2. Commercial
3. Design
4. Legal
5. Procurement
6. Operational
7. Governance

The top-level risks and control measures are outlined in preceding sections of this FBC. The Risk register has been split into two to provide a more detailed understanding of the risks associated with construction of the phase 1 building and the risks associated with the setting up and operation of the new University. A more detailed assessment of the potential impacts of Covid-19 on the ADP's business model is provided in section 3.3.

The costs associated with the delivery of the project and risk of it not completing prior to establishing the Joint Venture is the responsibility of each party

CPCA, PCC and the ADP will enter into agreements under which they will become shareholders in PropCo. PropCo will deliver the development and carry the risk of delivery subject to the risk assumed by CPCA in acting as services provider to PropCo and interface with the consultant team. It is intended that, under the Service Agreement, PropCo will delegate authority to CPCA for the management of risk associated with the design, procurement and delivery of the phase 1 building within parameters set by PropCo.

Day to day responsibility for risk management will be the responsibility of the Project Manager, who will hold quarterly risk workshops with members of the project team and the PropCo Board. The risk register will be reviewed at least monthly by the PropCo Board. These monthly risk reviews will be an integral part of monthly reporting to PropCo by CPCA.

Where management of risk requires interventions beyond the authority delegated to CPCA by PropCo, decisions will be referred to PropCo for agreement on how risks are to be mitigated in line with the governance of PropCo as set out in the Shareholders' Agreement. Project assurance

CPCA's Assurance Framework can be found at cambridgeshirepeterborough-ca.gov.uk/assets/Combined-Authority/Cambridgeshire-and-Peterborough-Combined-Authority-Assurance-Frameworkv3final-002.pdf. It sets out how the seven principles of public life shape the culture, processes and practice within CPCA in discharging its responsibilities in the administration of the Cambridgeshire and Peterborough Investment, incorporating the Single Pot funding.

At project level, project assurance (phase 1 onwards) will be conducted under the main transactional agreements and, once the conditions precedent are satisfied, responsibility for project assurance will transfer to PropCo and UniCo for the building and HE operations respectively.

5.7 Post-project evaluation

The project will adopt the BSRIA Soft Landings framework and follow the five Stages of the Soft Landings process. Stage 1: Inception and Briefing, Stage 2: Design Development is predicated on Stage one; while Stage 3: Pre-handover requires follow-through with Stage 4: Initial Aftercare.

The benefit of this approach is that it will help solve any performance gap between design intentions and operational outcomes by appointing soft landing champions who will agree the roles and responsibility of the client, contractor and professional team.

This process will commence from Royal Institute of British Architect (RIBA) stage 2 and run through to completion of the construction of phase 1 and into the occupation and aftercare stages.

Design

Workshops will be held with the project team to review learning from previous projects and develop a design that will work from the point of view of the manager and users. This will include agreement and review of an energy strategy and commissioning (for incorporation into relevant tenders) as well as review of proposed systems for usability and maintainability.

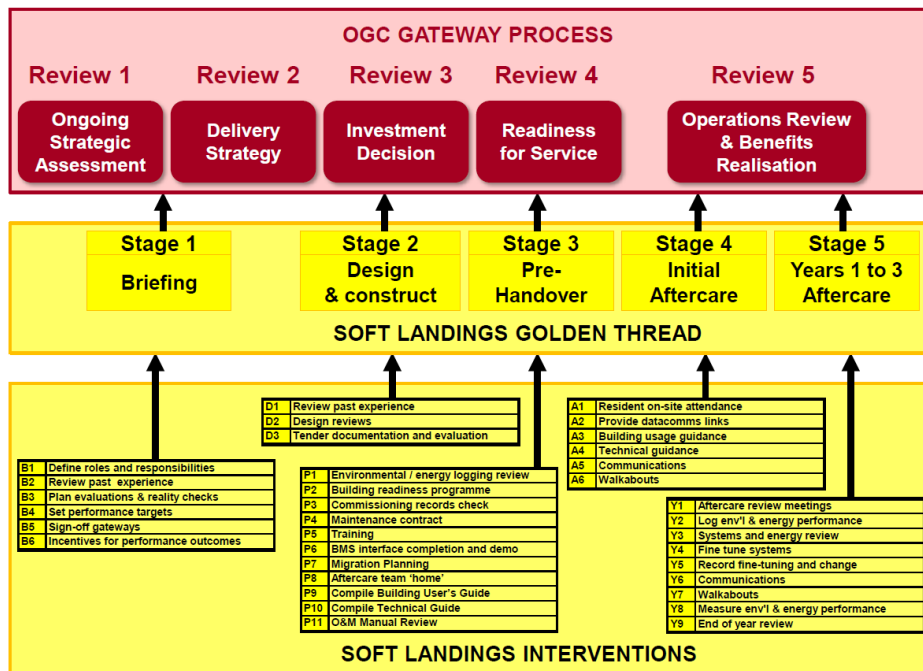
Construction

Soft landings considerations will be incorporated into the project plan, employer's requirements and the role and responsibilities of the contractor's soft landing champion up to and following completion of the phase 1 building.

Operation in use

The contractor will be required to provide: comprehensive operation and maintenance manuals; escorted tours of completed facilities to demonstrate functionality; Building Information Modelling models to assist with future maintenance; and aftercare for an agreed period post-handover. The contractor will carry out post occupancy evaluation.

Key Milestones for Stage reviews of the Soft Landing Process



6 Annexes

6.1 Project risk register

6.2 Campus site options

6.3 Economic appraisal outputs

6.4 ADP selection criteria (EoI and ITT)

6.5 Academic Delivery Partner Heads of Terms

6.6 Contracting timescales (ADP and Construction)

6.7 Construction cashflow forecast

6.8 Financial model

6.9 Project plan