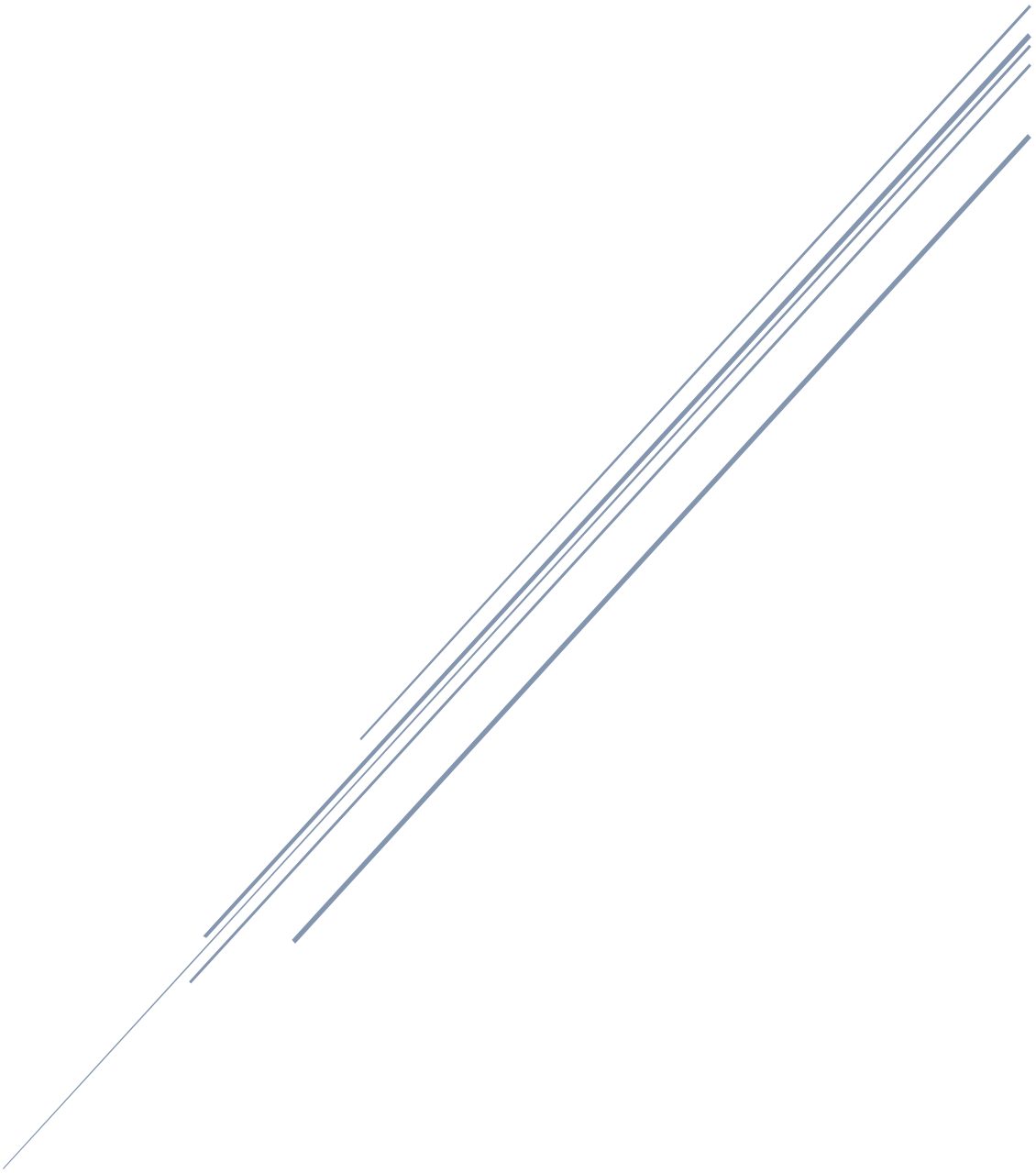
Peterborough R & D Property Company Ltd - PropCo2

Business Plan – Updated April 2021

Appendix 1



April 2021

The original business plan was presented to the Skills Committee on 11th January 2021, the Business Board on 12th January 2021 and the Combined Authority on 27th January 2021.

This plan has been updated in April 2021 and will accompany the Board paper, in order to reflect two key changes of:

A - Move from procurement of a commercial operator to run and manage the R&D centre, to Peterborough R&D Property Company Limited (Propco2) taking on the Operational management role itself.

B - Reduction in capital investment by Photocentric from about £3m to £2.2m

Sections 1, 2, 3 and 7 are, as the original business plan.

The purpose of the Peterborough R&D Property Company (PropCo2) will be to manage the University phase 2 property development, a Manufacturing and Materials Research & Development ("the Centre"), its finances including the delivery Funds and to manage the Centre moving forwards.

This business plan is designed to provide an overview and detail of the:

- Objectives
- Deliverability including timescales
- Economic appraisal
- The shareholders
- Governance
- Dependencies and risk
- Financial plan

The drivers for establishing the Peterborough R&D Property Company (PropCo2) are:

- To assist with delivering current and future objectives of the CPCA and the other shareholder in the company where those objectives align.
- To manage the Getting Building Fund investment awarded by PropCo2.
- to run and operate the Centre including the sourcing and subletting of parts to research intensive companies.

Benefits of the Peterborough R&D Property Company Ltd (PropCo2) are:

- Creating PropCo2 will be a key part of providing a structure that will support and help to achieve the aims of the CPCA. Therefore, provides CPCA with a vehicle to assist the:
  - Development of a Low Carbon Economy and align with the Government's Net Zero aspirations.
  - Achievement of significant sector-cluster growth, based on technological innovation that will transform the knowledge intensity of products, services and jobs.
  - Establishment of skills and learning in the very heart of the city, providing a platform for a high value manufacturing innovation eco-system with a Technical University at its core.
  - Holding and management of the CPCA's investment.
  - Manage the partnerships with the other shareholder and wider stakeholders.
  - Provide more options for control of ownership and / or sale later.

1 - Introduction

The Centre will be developed and owned by PropCo2, a joint venture company owned by CPCA and Photocentric Ltd. The intention is to achieve significant sector-cluster growth, based on technological innovation that will transform the knowledge intensity of products, services and jobs, arresting four decades of decline in prosperity to reset Peterborough's potential rate of recovery.

The Centre, the second phase of the development of a new University in Peterborough, will link academia and industry to establish skills and learning in the very heart of the city, providing a platform for a high value manufacturing innovation eco-system with a Technical University at its core.

The Centre will have a focus upon contributing towards the development of a Low Carbon Economy and align with the Government's Net Zero aspirations.

This Business Plan will be developed further by the shareholders of PropCo2 (Photocentric and the CPCA).

2 - Objectives and Deliverability

2.1 The Purpose

The new Centre will transform the local economy which has suffered from extremely low levels of R&D activity and a complete absence of any research and innovation eco-system. This will turn around the current erosion in productivity and high value knowledge industry, and will lead to new aspirations, opportunities, wage growth, increased well-being and beneficial health outcomes.

2.2 Objectives of the Centre

This facility has two significant objectives: to create research which should contribute to technology which will allow for reduced carbon emissions for innovative businesses and to provide the students of the new University with access to tomorrow's manufacturing technologies.

The building will house established and start-up companies developing cutting edge manufacturing technologies linked to advanced manufacturing. This phase of the University campus project will link academia and industry to establish skills and learning in the very heart of Peterborough, providing a platform for a high value manufacturing innovation eco-system with a Technical University at its core.

The partners are committed to establishing a research centre to position Peterborough at the core of a new Net Zero economy. The building will host development work that will create the new manufacturing techniques that will define a low-carbon Industry 4.0 model for tomorrow.

The research performed there will create a wide range of technologies, including new energy storage devices, specifically car batteries, manufacture new products using sustainable plastics and print industrial parts as opposed to moulding them. This will define the next generation of manufacturing methods making plastic, ceramic, metal and composite parts.

As the anchor tenant, Photocentric has had a core belief in innovating since its formation in Peterborough in 2002. Today it employs over 30 scientists working on creating better ways to manufacture products using innovative 3D printing concepts it has invented. It has a world-class chemistry team that are the leading innovators in visible light

photopolymerisation, an engineering team that designs the 3D printers in the sector it invented, technicians, software developers, metallurgists, ceramicists and electro-chemists working on the next generation of printed batteries. In 2020, its unique patented process using LCD screens was proven, by making millions of items of PPE, and it is now validating this digital manufacturing process in a variety of applications as an alternative to traditional manufacturing techniques. Photocentric holds 8 granted patents with 23 pending and has 3 Queen's Awards, two for Innovation.

The hub, with a world-leading research and manufacturing company, at its heart, will encourage other companies to join the hub. It is hoped that the other hub members will locate their associated manufacturing facilities nearby as have Photocentric.

The vision for the innovation centre is to invest in research today to enable manufacture tomorrow. Specifically, this will be a facility enabling efficient low to medium volume of manufactured parts, bridging the gap between the prototype and mass manufacture volumes. This facility will speed up the design and launch of new products and be of strategic value to Peterborough's innovative manufacturing companies.

The vision to work with the University is a central part of the partner's beliefs that *they are stronger when they educate*. Encouraging education is one of the partner's goals and students of all ages will be able to access facilities and labs to learn about the applications for industry-leading technology. It is envisaged that the students who graduate from the University will have the best grounding possible, being inspired with the applications for their education and because they gained experience that was at the cutting edge, becoming highly desirable to employers.

3 - Vision

The project will transform the local economy having suffered from extremely low levels of R&D activity and a complete absence of any research and innovation eco-system. This will turn around the current erosion in productivity and high value knowledge industry, and will lead to new aspirations, opportunities, wage growth, increased well-being and beneficial health outcomes.

Economic appraisal

(April 21 update)

1. Using conventional Treasury Green Book appraisal techniques and accepted government benchmarks, the economic impacts and outputs of the project over the 5 years of the project funding lifetime have been estimated as follows:

    - 150 new direct jobs created in companies based in the centre (including new jobs created in Photocentric)
    - 390 indirect jobs created in supply chain
    - Creates £70 million of GVA
    - The activities generated will be highly additional, with low displacement – i.e. R&D creating new processes, products and services which are unlikely to duplicate activities in the rest of the economy.

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

    a. Increases in local employment and GVA a direct result of the creation of the Manufacturing and Materials Research & Development Centre.
    b. Employment created in the wider economy as an indirect result; and
    c. Attraction of more businesses in the long term.

The key output from this appraisal is summarised in the table below:

Appraisal Outputs	Recommended
Total Net Present Benefits	£70,488,375
Total Net Present Costs (public sector)	£13,274,042
Benefit Cost Ratio	**5.31**

Approach to Economic Case

3. No options or scenarios have as yet been considered alongside the recommended option. This should be produced before final approval of the Business Case. This economic appraisal has been conducted on the recommended option only, on the following basis:
    a. In the absence of RIBA 3 costings, the construction cost has been assumed to be equal to the current capital budget of £15.973m.
    b. Funding is assumed to be made up of £13.773m (capital) from the public sector (via the Getting Building Fund) and £2.2m from the private sector from Photocentric Ltd (also capital); and £800,00 of revenue input / underwriting from Photocentric Ltd.
    c. Direct staff employment calculated using published Government Employment Density Guidance for general office Professional services.
    d. A Net Internal Area floorspace of 1,802 square metres from the Reduced scheme as presented to the January 2021 Business Board.
    e. Indirect employment calculated using Treasury Green Book multipliers for High skilled 'tradable' sectors, i.e., those who's output is sold mostly outside the local area.

f. The latest publish annual labour productivity GVA per filled job (£) for Cambridgeshire for both direct and indirect jobs created (£55,248 in 2018 prices, adjusted to current price £56,284 using HMT GDP Deflators).

Economic Costs

4. As costings for the RIBA Stage 3 Design will not be available until June 2021, the following inputs have been used as a proxy for the Fiscal Cost of delivering the project:

Input Contributions	
Capital Investment (public sector)	£13,773,000
Capital Investment (private sector)	£2,200,000
Revenue Investment (private sector)	£800,000
Assumed Fiscal Costs	**£16,773,000**

5. The ground and first floor of the building has been designed to be let in medium sized suites for Propco 2 to let to third parties, procuring services as necessary to both the marketing of the space and operation of it.

6. Estimate Operating costs have been produced by Carter Jonas. Their Business Case Model dated 19th April assumes the building will be at peak occupancy within 5 year of opening and cost around £340,000 per annum to run. The Building is forecast to be around break even after 5 years and produce a modest surplus after 10 years.

7. Rental levels are currently predicted to be below market rate as the building will be solely for R&D Operations. The discounted rate is in effect a subsidy to the sector and should encourage take up of tenancies. SMEs and early-stage businesses face long lead times in terms of R&D, product and service development and route to market. It takes many years to make commercial returns. This means that balance sheets are pressured in the early years, and there are scant funds available for high quality premises and modern facilities.

8. Optimism bias has been applied to key project parameters, including capital costs and operating costs, project duration, and resulting benefits delivery.

Value for Money Assessment

Appraisal Outputs	Recommended
Land value uplift	tbc
Amenity value	tbc
Transport benefits	nil
Estimated labour supply impacts	£70,488,375
Total Net Present Benefits	**£70,488,375**
Net Present Costs (public sector)	£13,274,042
Optimism Bias	tbc
Total Net Present Costs (public sector)	**£13,274,042**
Benefit Cost Ratio	**5.31**

9. This review confirms the recommended option delivers a Benefit Cost Ratio of **5.31** based on current costings and job numbers. This represents 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

10. 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.

Sensitivity analysis

11. Sensitivity testing has been carried out by adjusting key variables as follows:
    - 33% reduction in Net Present Benefits.
    - 50% reduction in Net Present Benefits.

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

Sensitivity Tests	Recommended Baseline	Sensitivity to 33% drop in Net Present Benefits	Sensitivity to 50% drop in Net Present Benefits
Total Net Present Benefits	£70,488,375	£46,522,327	£35,244,187
Total Net Present Costs (public sector)	£13,274,042	£13,274,042	£13,274,042
Benefit Cost Ratio	**5.31**	**3.50**	**2.66**

13. Even allowing for these significant risks, an acceptable BCR is sustained. Therefore the case remains acceptable for investing in the recommended option to generate direct and indirect benefits for the region.

14. Further testing has been carried out to determine the impact of a substantial cost over-run on the construction of the 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	Sensitivity to Construction Costs Doubled	Sensitivity to Construction Costs Doubled with 50% drop in Net Present Benefits
Total Net Present Benefits	£70,488,375	£70,488,375	£35,244,187
Total Net Present Costs (public sector)	£13,274,042	£26,548,084	£26,548,084
Benefit Cost Ratio	**5.31**	**2.66**	**1.33**

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

16. A critical point to note is that the key benefits stem largely as function of the indirect job growth projections. Only this factor will generate a significant direct and positive economic impact.

Risk appraisal

17. The key risk with respect the economic appraisal lie in the ability of the stakeholders to deliver the building within budget while also achieving the predicted job numbers.

18. The economic appraisal is vulnerable to fluctuations in both costs and benefits 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 Manufacturing and Materials Research & Development Centre. A further concern could be the extent to which suitably qualified staff are currently available locally.

19. The impacts of Covid-19 on Commercial Real Estate and more specifically Low Carbon businesses is far from clear. Historically external shocks such as an epidemic or a pandemic followed by an economic downturn have had an immediate to short-term impact on construction prices and land values, but minimal influence on the rental market. It is suggested that a more detailed assessment of the potential impacts of Covid-19 on the business model is carried out and kept under review.

5 - Timescales

5.1 Deliverability

The construction of the R&D Centre will be delivered through the following methodology:

- **Planning Consent:** the site has been selected based on there being an overarching Masterplan for a university and more specifically this particular location, because the requisite surveys and provisions to address the utilities requirements have already been procured and resolved. This approach has been agreed with the Peterborough HE Property Company, (owned by Anglia Ruskin University (ARU), PCC and CPCA) along with the key terms for the purchase of the site. In addition, we have the commitment of the Leader and CEO at PCC that they will expedite planning along with the provision of a full-time and dedicated PCC Planning project manager. Together, PCC & CPCA have commitment to achieving full planning permission by September 2021- our build commencement target.

- **Project Management:** the CPCA has, on behalf of the project, appointed MACE through a direct award off a Crown Commercial Framework. MACE lead a multidisciplinary team which includes project management, programme management, design, and cost management by way of a team of 19 individuals.

The decision to make a direct award was based on their winning a competitive process for Phase 1 and their effective, against programme delivery.

- **Construction:** The Peterborough R&D Property Company, with CPCA as the majority shareholder is required to procure the construction works in accordance with the Public Contract Regulations 2015. However, having carried out a site logistics and Health & Safety assessment, along with a programme review with MACE and the Phase 1 contractor, it was determined that the safe delivery of the project required a single contractor delivering both Phases. The CPCA therefore, on behalf of the project published a Voluntary Ex-anti (VEAT) Notification setting out its intention to direct award under Regulation 32 (exclusive rights) Public Contract Regulations 2015.

- **Budget:** We now have developed the design to a level (RIBA3) that provides sufficient assurance that the secured funding and private investment is sufficient in consideration of the site constraints and infrastructure requirements

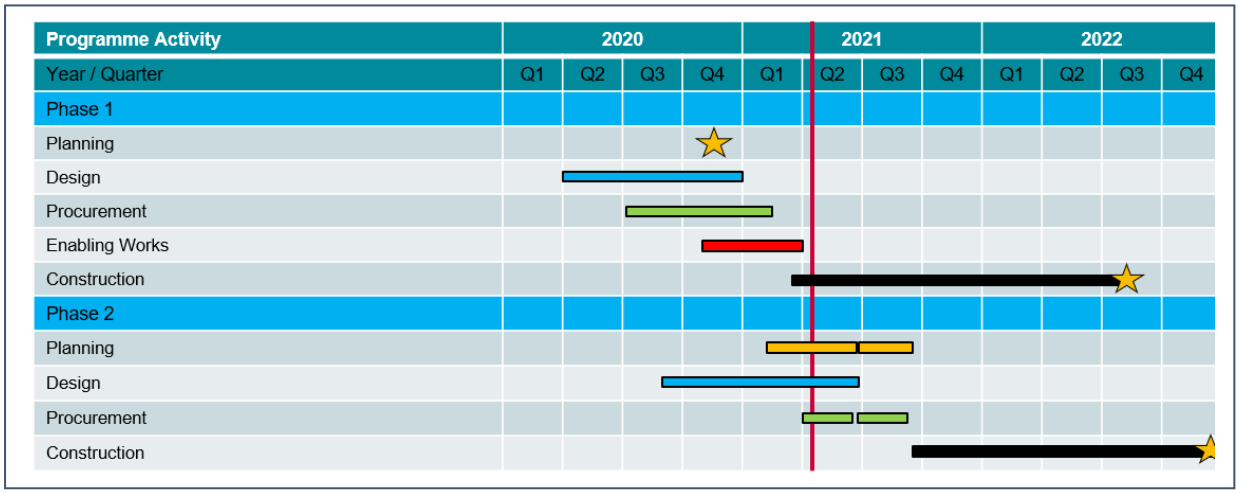
5.2 Programme timeline

Below are the interfaces between Phase 1 & 2 and the Phase 2 high level programme plan.

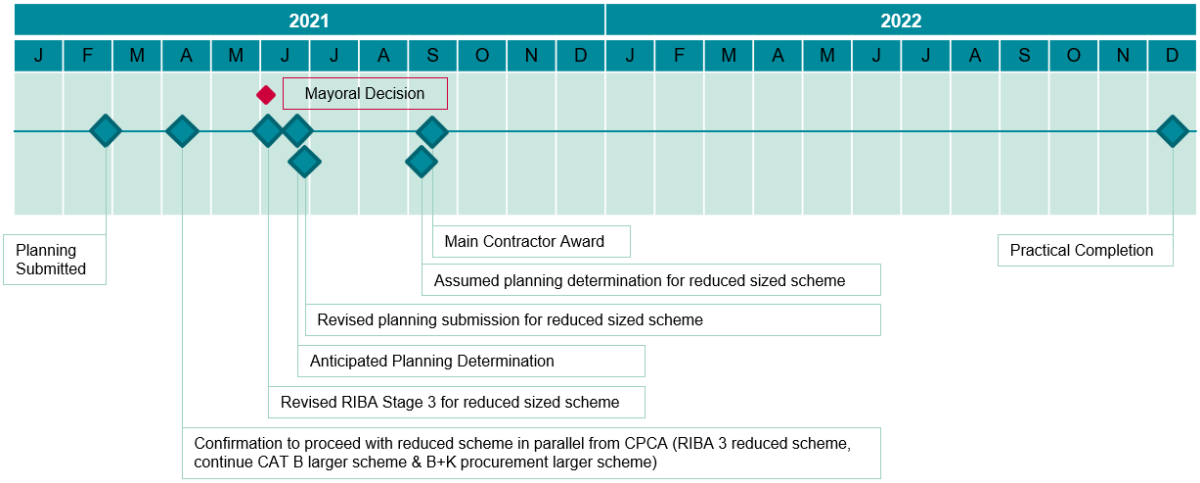
Phase 1 will establish a University Campus in Peterborough, intended for 2,000 students by September 2022, with a curriculum and delivery model that is designed to meet the skills needs that growth in the Greater Peterborough business base will generate. Phase 2 is the development of the Net Zero Manufacturing and Materials Research & Development Centre.

The programme has been revised based on reduced scheme (reduction of 16% in NIA) to allow for the submission of an amendment to the current planning application and redesign of the building.

The revised programme delivers the completion of the building construction in December 2022, about 3 months after the original completion date of September 2022.



The building design has been developed to a RIBA 3 level of detail based on Category A design for Tenant and Landlord areas.



6 - Legal position

The CPCA has already incorporated PropCo2 on 18th November 2020 via an Officer Decision Notice 222 -2020 as the Peterborough R&D Property Company Ltd. The key terms of -agreement have fundamentally been reached between the proposed shareholders of Propco 2 and more holistically, between Propco 2 and Propco 1 which owns the current university campus site of 5 acres, upon which the Research Building is proposed to be situated.

The shareholders of PropCo 1 will lay down the following conditions upon its transfer of the Phase 2 parcel of land to PropCo 2 to restrict the use permitted within the Centre, to ensure its activities align and add value to the development of a strong and successful University & Research Campus. These are:

Concerning the use of the building

The land (and any building upon it) may only be used for the purposes of:

"*Operating a research and development and innovation centre for the purpose of facilitating the commercialisation of research and the growth of knowledge intensive start-up businesses, with ancillary use for proof of concept and small-scale manufacturing of individual products and connected administrative purposes, or as an educational facility*."

The conditions on use will be specified in the land transfer agreement between PropCo1 and PropCo2 and be reflected in the targeting of companies to occupy the building.

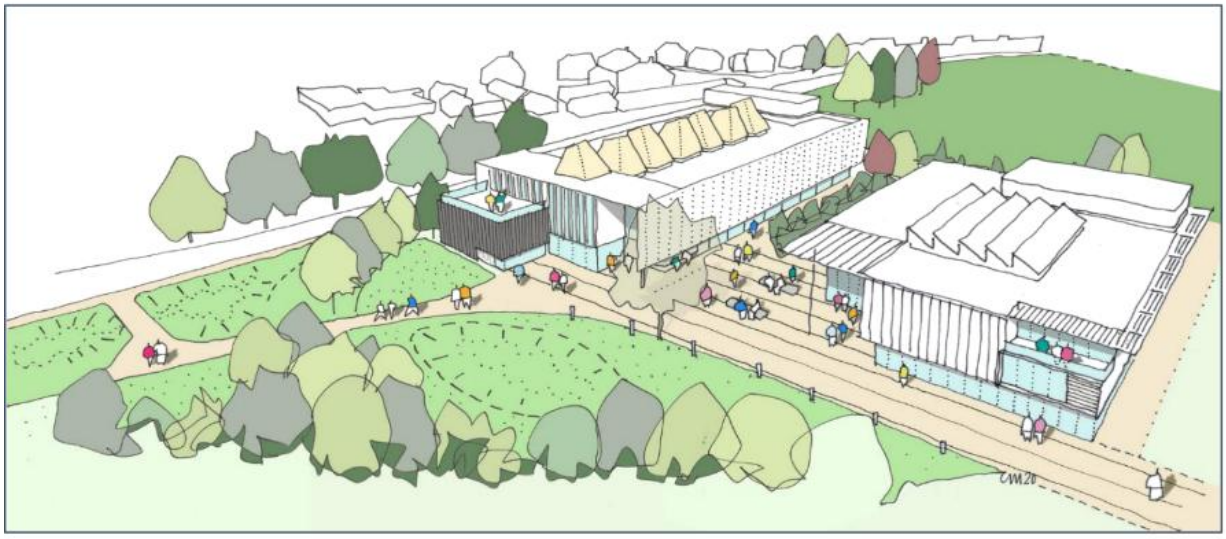
Concerning the use of the Business Board's investment in the building

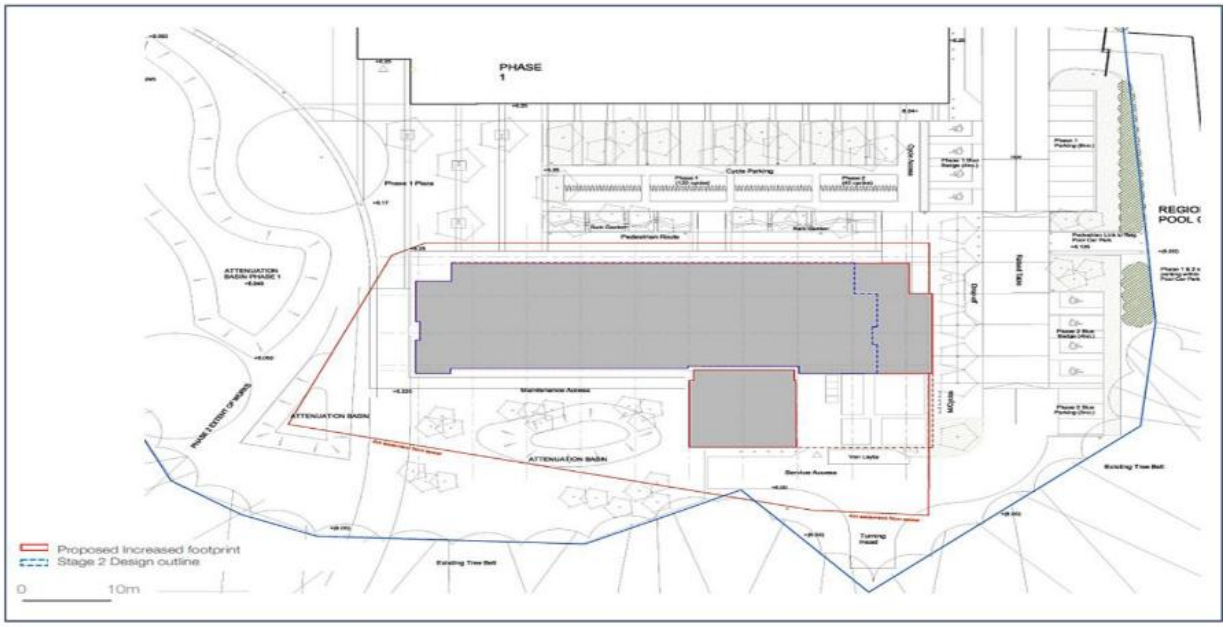
That the CPCA, as the original applicant for the Get Building Fund investment in the Research building, applies reasonable endeavours to make a case to the Business Board, for use of any recycled funding out of its investment in the building, for further expansion of the University & Research Campus.

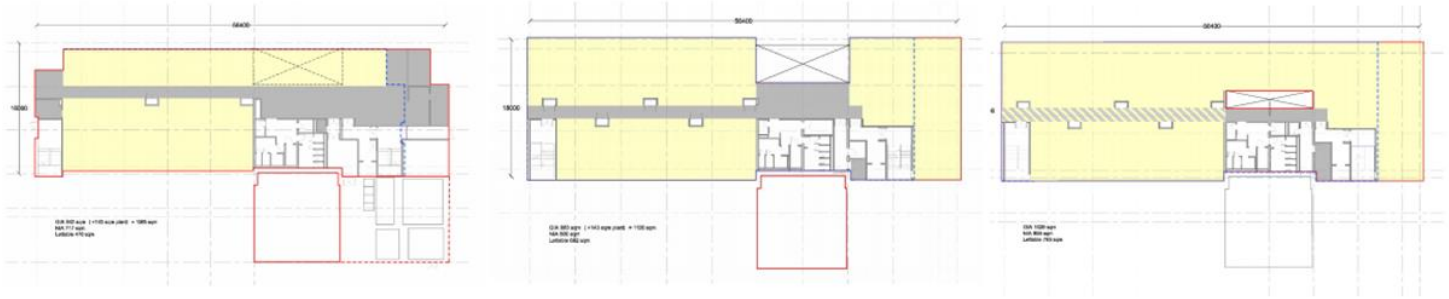
The allocation of shares in PropCo2 will be proportional to the financial investment made by each shareholder, in the creation of the Centre. Photocentric's share allocation of 13.7% in PropCo2 will be subject to the change request being approved.

Subscriber	Number of New Shares (proportionate to value subscribed)	Total subscription monies ('000)
CPCA through the Getting Building Fund	86.3% of Shares	£13,773
Photocentric	13.7% Shares	£2,200

The full suite of legal documents for PropCo2 to be entered into by CPCA and Photocentric including the Articles of Association and the Shareholder Agreement are now well progressed and it is intended to be in an agreed form and signed off (subject to internal approvals) within May 2021.







Ground Floor
GIA 942 + 143 plant = 1085 sqm
NIA 717 sqm
Lettable 478 sqm
Stage 2 Design outline

First Floor
GIA 983 + 143 plant = 1126 sqm
NIA 800 sqm
Lettable 682 sqm

Second Floor
GIA 1029 sqm
NIA 855
Lettable 763 sqm

Stage 3 Area Summary

- Total building GIA: 3248sqm
- Total building NIA: 2149sqm
- Total building lettable: 1994sqm (1860 sqm excluding circulation)
- NIA to GIA ratio: 66%
- Total building occupancy: 360ppl

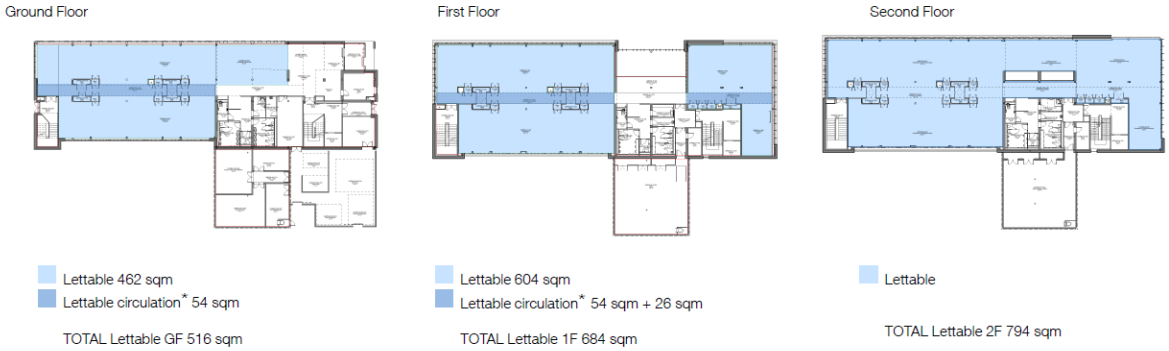


Figure 1 – Building design as of RIBA stage 3, with Photocentric's £3.0m investment

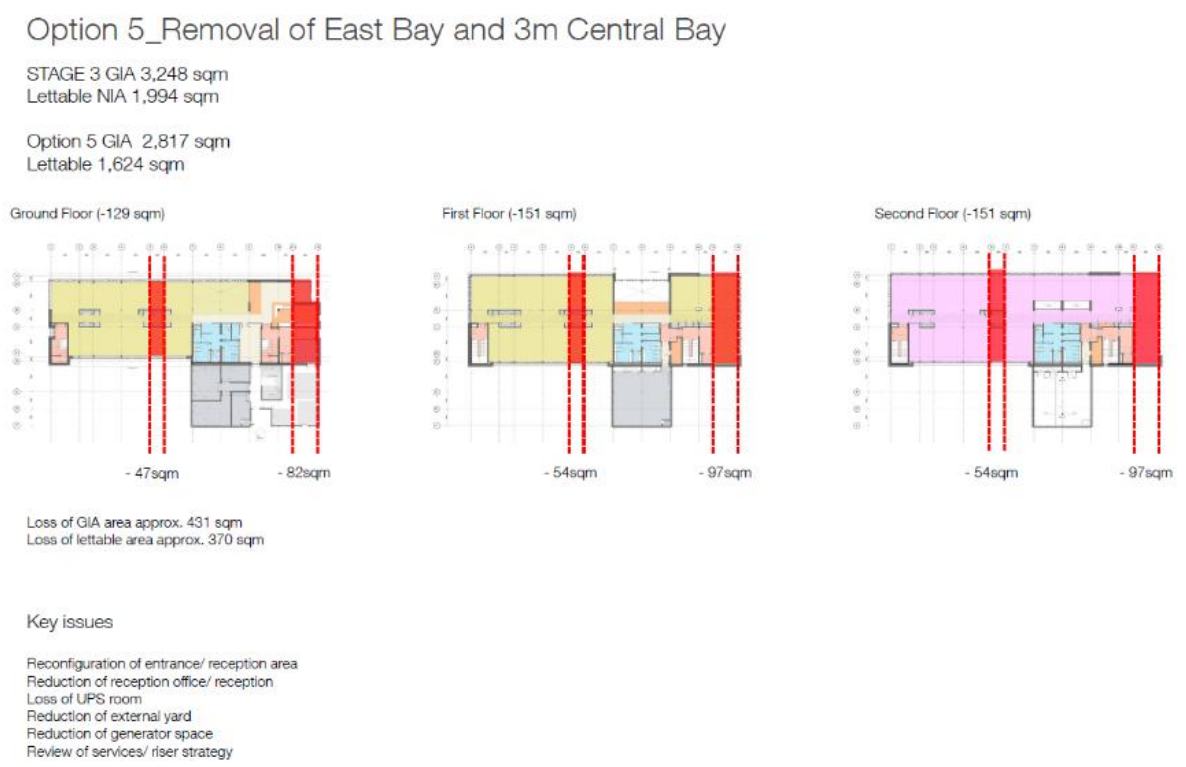


Figure 2 – Building design as of April 2021, having reduced Photocentric's investment to £2.2m. Removal of east and central bay.

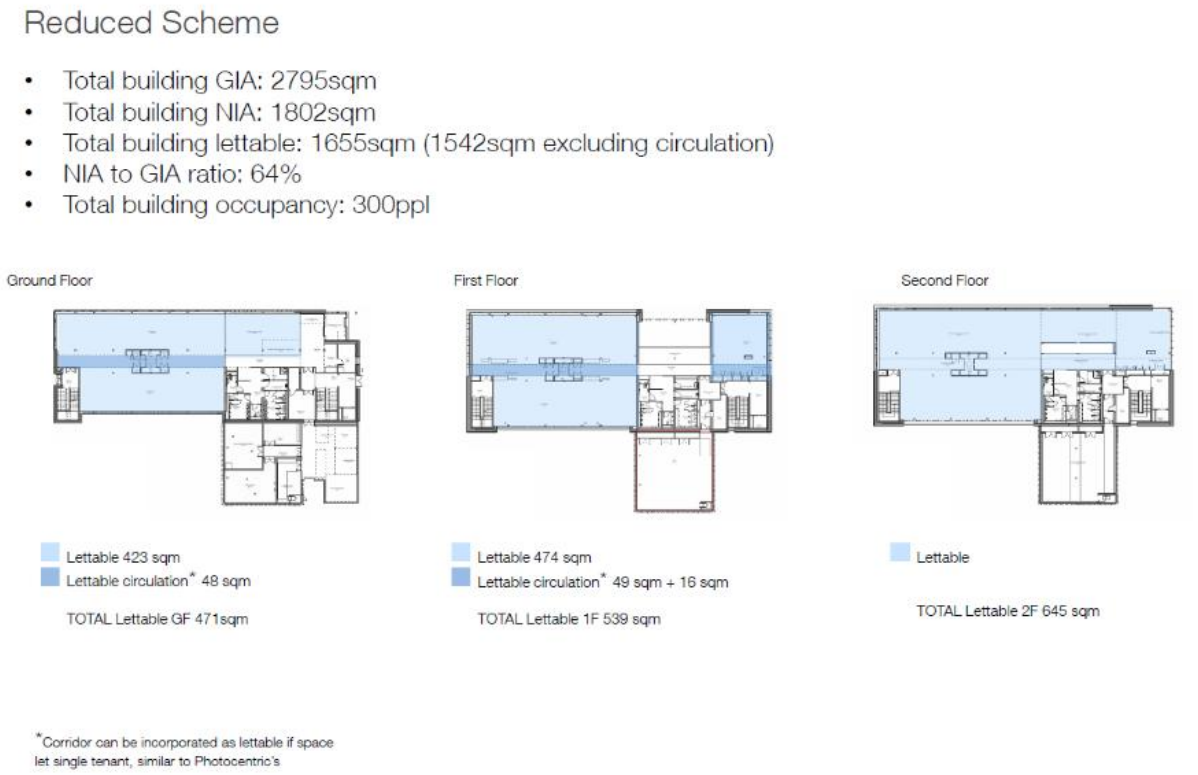


Figure 3 – Proposed building design as of April 2021.

Comparison

	Stage 3	Reduced	Difference	% Reduction
GIA	3248	2795	-453	14%
NIA	2149	1802	-347	16%
Net Lettable	1994/1860	1655/1542	-339/-318	17%
Occupancy	360	300	-60	17%

Table 1 – Comparison between figure 1 (presented in 12th 27th January 2021 to the Combined Authority.

Ground Floor Layout

Figure 4 – Detailed ground floor layout from figure 3

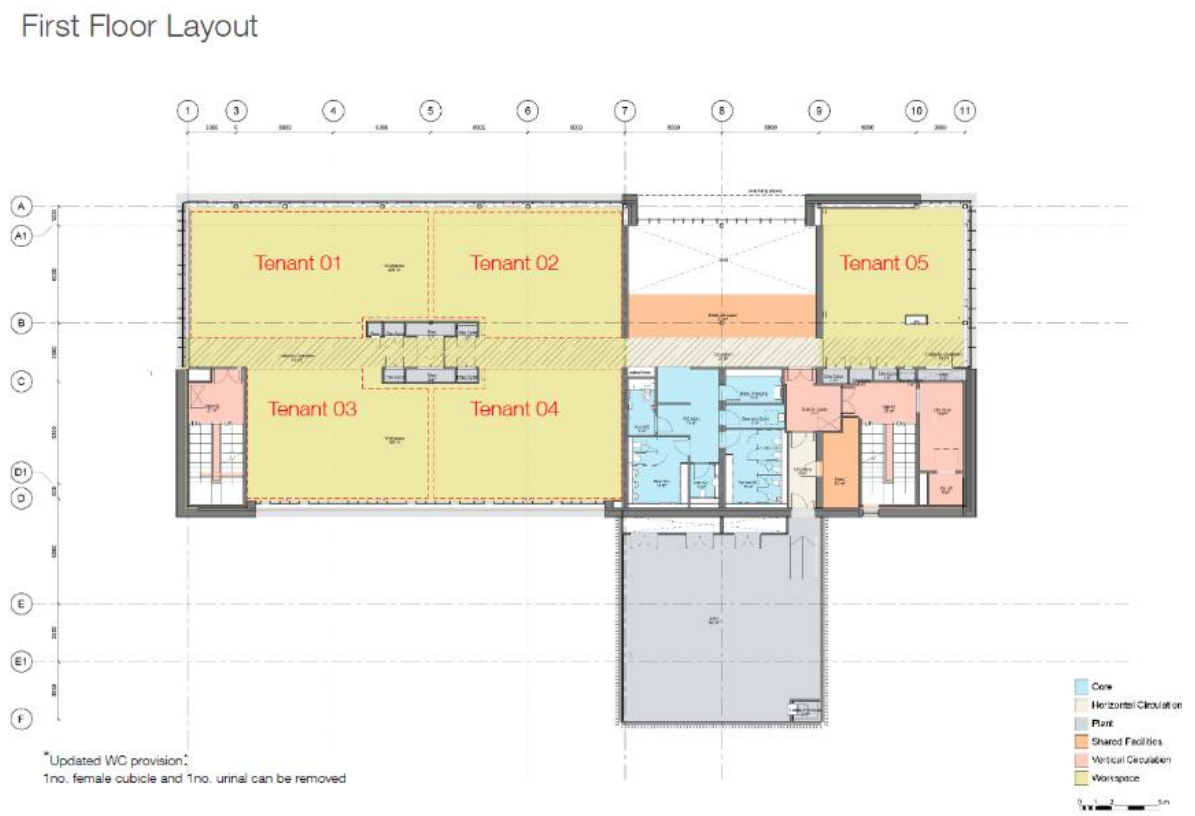


Figure 5 – Detailed first floor layout from figure 3.

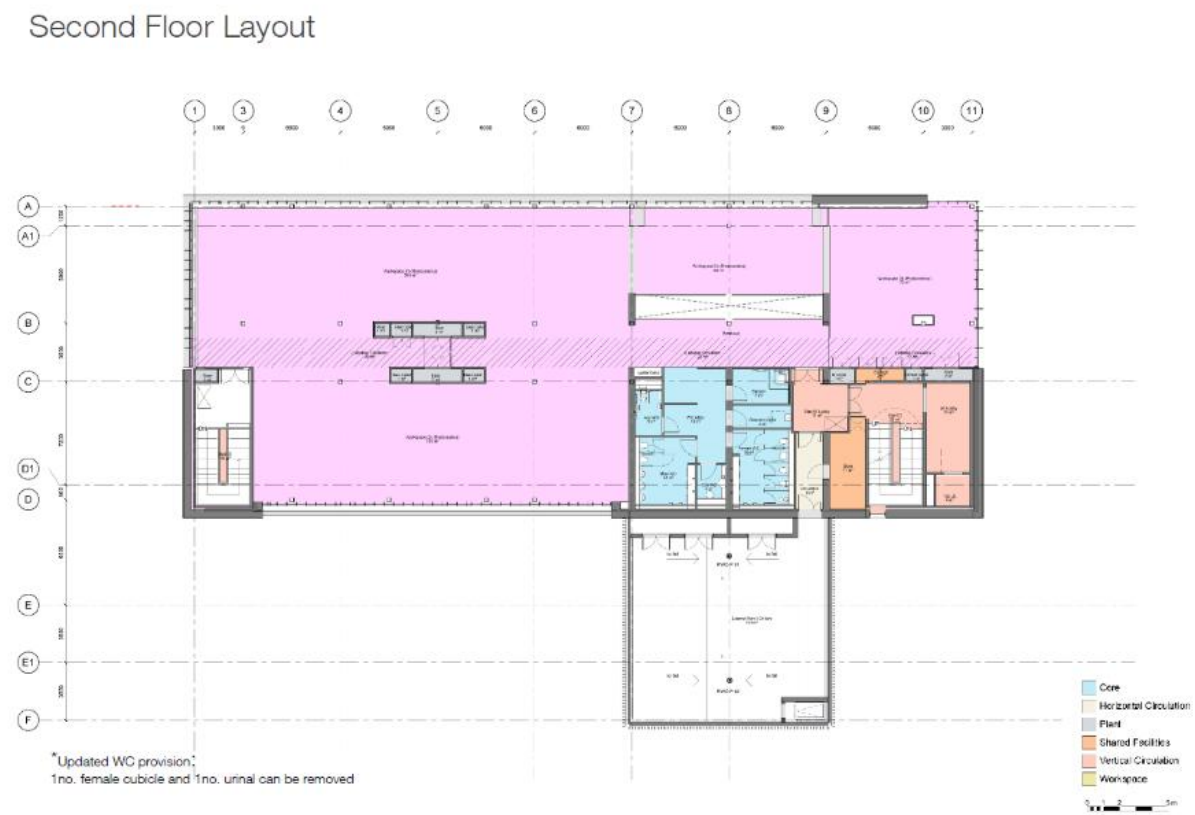


Figure 6 – Detailed second floor layout from figure 3.

7 - The Partners

7.1 Photocentric

Photocentric is a profitable, rapidly growing, technology company operating at the intersection of innovative photopolymers, materials and engineering, based in Peterborough.

It has in-house chemical manufacturing, machining, design, engineering facilities and over 50 3D printers for making test parts and evaluating binders. R&D is carried out in a large open area devoted to photochemistry, software, engineering, and testing with over 30 scientists, 5 of which are PhDs. Recently Photocentric's core research has become focussed on new battery manufacturing techniques.

Photocentric forecasts growth of over 160% in 2020, from £8 million to over £21 million, with sales in 2021 forecasted to be more than £35 million.

It is currently leading three Innovate UK Government Innovate funded projects researching into new 3D printed battery technology, and work with the following catapults: WMG, APC, MTC and CPI. It co-researches with several of the leading Universities around the world and has become the world's leading manufacturer of photocured objects.

In energy storage, it believes that it has have created the world's most effective means of creating photocured objects in 3 dimensions and is now proving this can deliver better batteries. Its novel additive manufacturing techniques can create lighter, smaller batteries and thus deliver faster charging combined with increased power density, enabling an order of magnitude improvement in battery performance.

Photocentric and BASF have cooperated as both manufacturing and research partners in 3D printing chemistry - a testament to the strength of their chemistry division. The cornerstone of future developments will be to make all their products sustainably.

As anchor tenant, Photocentric will situate its entire research and senior managers within the building creating a significant amount of high value employees and International visitors. Photocentric has a core value of supporting education and will work with the ARU Peterborough to inspire its students, giving them open access to learn under trained supervision.

7.2 The CPCA

In 2017, the Cambridgeshire and Peterborough Combined Authority was established as a Mayoral Combined Authority for the Cambridgeshire and Peterborough area. The Combined Authority is made up of a directly elected Mayor and seven constituent authorities, with a representation from the Local Enterprise Partnership (Business Board) who is also the Chair of the Business Board. The Combined Authority works with local councils, the Business Board (Local Enterprise Partnership), local public services, Government departments and agencies, universities and businesses to grow the local and national economy. The key ambitions for the Combined Authority include: 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 and transforming public service delivery to be much more seamless and responsive to local need.
This project is of high importance to the CPCA, as it will contribute significantly towards their objectives of;

- strengthening the UK's economic recovery from COVID-19;
- levelling-up of prosperity and opportunity for the "left behind" region of Peterborough and the Fens

- helping to make the UK a scientific superpower including leading in the development of technologies that will support the government's ambition to reach net zero carbon emissions by 2050
- strengthening the UK's place in the world.

8 - Operational Plan

8.1 Centre Operational Management

The business model is based on Propco 2 building and operating the R&D centre which will allow Propco 2 to recover the VAT on construction costs. Propco 2 will operate the centre itself, collecting rents direct from the tenants and providing services in return. Photocentric will agree to underpin the costs of PropCo2, taking on the commercial operation of the centre and will provide such further investment as may be required in order to ensure that PropCo2 remains able to pay its debts as and when they fall due. As a result, Photocentric will be provided with a veto at Board level in terms of matters relating to the operation of the centre by PropCo 2 so that it is able to retain a measure of control over the costs which it will be underwriting. As a result, Photocentric will reconfigure its investment and reduce its initial capital contribution by £800k to £2.2m.

The revised deal will see Photocentric paying rent on all of its occupied space in the R&D building and it will receive shares with same rights attached to them as CPCA in PropCo 2. Photocentric will, pursuant to an Agreement for Lease agree to take a lease of the top floor of the building at an index-linked rental rate of at least £11.50 per square foot. This being the level of rent which has been assessed by the CPCA's independent consultant (Carter Jonas) as being a suitable commercial rent payable by an anchor tenant to the building taking a large proportion of space and with the existing restrictions on use in the building. The rest of the building will be leased out by PropCo2 to other potential tenants in the market, subject to the building's covenants on use.

CPCA has worked closely with an independent consultant (Carter Jonas) to review and revise the business model below and they have confirmed that they consider the model to be financially viable.

Year	1	2	3	4	5	6	7	8	9	10
INCOME										
Target Tenant Occupancy - Photocentric only	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%
Target Tenant Occupancy exc Photocentric	0.00%	17.00%	17.00%	42.00%	57.00%	57.00%	57.00%	57.00%	57.00%	57.00%
Car Park utilisation balancing remote learning with non-staff access	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%
Rent Charges to Tenants	£62,966	£95,404	£95,404	£143,105	£171,726	£171,726	£171,726	£171,726	£171,726	£171,726
Service Charge to non-Photocentric tenants	£0	£14,526	£14,962	£38,074	£53,222	£54,819	£56,463	£58,157	£59,902	£61,699
Service charge to Photocentric	£13,688	£14,099	£14,522	£14,958	£15,406	£15,869	£16,345	£16,835	£17,340	£17,860
Rates re-charged to Tenants	£59,639	£71,383	£88,602	£100,579	£103,596	£106,704	£109,905	£113,202	£116,598	£120,096
Broadband Charges to tenants	£6,009	£9,104	£12,018	£14,567	£16,388	£16,388	£16,388	£16,388	£16,388	£16,388
Hot Desking/Dedicated Desks	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Virtual Office	£0	£4,800	£7,200	£9,600	£12,000	£12,000	£12,000	£12,000	£12,000	£12,000
Meeting room / meeting space	£2,400	£2,472	£2,623	£0	£0	£0	£0	£0	£0	£0
Car park income (100 slots x 240 days x £4 day)	£23,760	£37,080	£38,192	£59,007	£72,933	£75,121	£77,375	£79,696	£82,087	£84,549
Total Income	**£168,464**	**£248,869**	**£273,524**	**£379,891**	**£445,273**	**£452,628**	**£460,203**	**£468,006**	**£476,042**	**£484,320**
COSTS										
Rates paid to PCC - Under Negotiation & TBC	£83,516	£100,660	£103,680	£106,791	£109,994	£113,294	£116,693	£120,194	£123,800	£127,514
Car parking lease payments paid to PCC - Under Negotiation & TBC	£16,000	£16,480	£16,974	£17,484	£18,008	£18,548	£19,105	£19,678	£20,268	£20,876
Broadband	£8,000	£8,240	£8,487	£8,742	£9,004	£9,274	£9,552	£9,839	£10,134	£10,438
Insurance (Building)	£6,000	£6,180	£6,365	£6,556	£6,753	£6,956	£7,164	£7,379	£7,601	£7,829
Maintenance, cleaning and flora @ 6%	£47,000	£49,820	£52,809	£55,978	£59,336	£62,897	£66,670	£70,671	£74,911	£79,406
Security	£12,112	£12,475	£12,850	£13,235	£13,632	£14,041	£14,462	£14,896	£15,343	£15,804
Energy x utlisation	£12,046	£18,799	£19,363	£29,915	£36,975	£38,084	£39,227	£40,404	£41,616	£42,864
Water and Sewerage	£5,475	£5,640	£5,809	£5,983	£6,163	£6,347	£6,538	£6,734	£6,936	£7,144
Waste	£2,157	£2,222	£2,288	£2,357	£2,428	£2,500	£2,576	£2,653	£2,732	£2,814
Receptionist	£20,000	£20,600	£21,218	£21,855	£22,510	£23,185	£23,881	£24,597	£25,335	£26,095
Management + sales / marketing	£50,000	£51,500	£53,045	£54,636	£56,275	£57,964	£59,703	£61,494	£63,339	£65,239
Total Costs	£262,306	£292,616	£302,889	£323,532	£341,079	£353,092	£365,572	£378,539	£392,015	£406,023
Profit/Loss	**-£93,843**	**-£43,747**	**-£29,365**	**£56,359**	**£104,193**	**£99,536**	**£94,631**	**£89,467**	**£84,027**	**£78,297**
				Cumulative Profit (Loss) at year 5	***-£6,402***			***Cumulative Profit (Loss) at year 10***		***£445,958***

Table 2 – Commercial operating model for centre being managed by PropCo2

The CPCA is satisfied that the revised arrangement with Photocentric is State Aid compliant following advice from Pinsent Masons on 23rd April 2021. PropCo 2 has also confirmed its ability to recover VAT on the construction based on advice from Deloitte's.

9 - Governance

The Board of PropCo2 will consist of two directors from CPCA, one being John T Hill - Chief Officer Business Board and Director Business & Skills and the other Robert Emery - Business Board S73 & CPCA Deputy S73, and one directorship for Paul Holt, CEO of Photocentric.

This is an interim measure, and it will be reviewed to ensure the directors both fit culturally with the company and who are best placed so that conflicts of interest are managed appropriately.

The chair will be a rotating role between the 3 directors.

No less than 2 directors will be sufficient (one representing each shareholder) for quoracy of Board decisions.

Expectations of the directors, which are statutory duties owed by each director to the company:

1. A director must act within their powers under the company's constitution
2. A director is to promote the success of the company
3. A director must exercise independent judgement
4. A director must exercise reasonable skill, care and diligence in their role
5. A director must avoid or manage conflicts of interest which may affect their objectivity
6. A director must not to accept benefits from third parties
7. A director must declare interest in proposed transactions or arrangements

Directors will be legally responsible for the running of the company including filing responsibilities to Companies House. A company secretary will also be appointed.

10 - Dependencies and Risk

Completion of the Centre will require.

i. Successful development of the University of Peterborough Phase 1. This project is already underway and the established joint project management and building programmes for the two Phases will ensure optimum delivery of both.

ii. Achieving planning for the revised scheme by September 2021;

iii. Procurement of the site from PropCo1 by January 2021; mitigated through a signed Option Agreement on the sale of the land to PropCo 2, by PropCo 1 shareholders.

iv. Procurement of a build contractor by September 2021;

v. provision: . The provision of carpark spaces to be delivered via a proposed decked car park upon the currently surface facility at Peterborough Regional Pool Carpark. This is a condition to planning application but will be delivered by Peterborough City Council.

vi. Although not dependent upon the next phase of development of the University; Phase 2 will be inexorably linked to Phase 3; the establishment of a new scientific equipment and capability building, that will expand the Cambridge innovation eco-

system into Peterborough. This Net Zero Hub will expand and build upon the existing TWI (the lead partner) extensive technology, research and innovation network and form a closely linked knowledge sharing and research excellence cluster around Peterborough and into Fenland.

vii. A risk register has been developed and will be regularly revised throughout the project. The current register is attached as annex 1.

11 - Marketing

PropCo2 will be responsible for all marketing activity and this is accounted for in the last line under costs in table 2 under 'management + sales / marketing'.

12 - Financial Plan

12.1 Funding Streams

Funding	**Total investment £'000**
CPCA equity investment (GBF)	13,773
Photocentric equity investment	2,200
Total	**15,973**

To minimise the risk to the funds, the CPCA will subscribe to the total value of its shares upon the shareholder agreement being signed. Then will pay them up to Peterborough R&D Property Company Ltd (i.e. make the actual cash transfer) as the company requires over the course of delivery to meet the costs of the project.

12.2 Expenditure and Cash flow

The draft table below sets out the expected cashflow for the SPV over the delivery phase of the project. The expense streams are those worked up by MACE on the provision that the additional funding from Photocentric (£2.2m in total) is approved. Should this not be the case, then a revised plan will be drafted by MACE. This number also includes a £300k top-slice for CPCA costs.

		FY 20/21		FY 21/22		FY 22/23		FY 23/24		Totals
Income										
GBF Investment		0		-13,773		0		0		-13,773
Photocentric		0		0		-2,200		0		-2,200
Total Income		**0**		**-13,773**		**-2,200**		**0**		**-15,973**
Expenditure										
Construction Works		0		4,986		6,204		160		11,350
Legal & Planning Costs		29		293		0		0		322
Design Costs		577		0		0		0		577
Project Management		88		550		370		0		1,008
Misc Design and Surveys		13		146		40		0		199
Furniture, Fittings and Equipment		0		0		977		0		977
Contingency		0		539		809		0		1,349
Total Expenditure		**707**		**6,514**		**8,401**		**160**		**15,782**
Opening Balance		0		707		-6,552		-351		
Total Income		0		-13,773		-2200		0		-15,973
Total Expenditure		707		6,514		8,401		160		15,782
Closing Balance		**707**		**-6,552**		**-351**		**-191**		**-191**

Annex 1 – Risk register Will be updated by 20th April

Risk Identification											
ID	Title / Description (Cause)	Effect	Category	Risk Owner	Likelihood	Cost Effect	Time Effect	Quality		Management Plan	Action Owner	Status
001	GBF commitments are not met in time.	The ability of the Phase 2 project to deliver against its commitments within the GBF prevent PropCo2 from entering in to contract with the main contractor.	3. Commercial -Funding	CPCA	4	5	5	2	140	Review of conditions set in the GBF rules and grant offer. Provide demonstration of what conditions have been met and how others will be met going forwards. If the revised area option is taken forward consideration needs to be given as to the revised completion date of December 2022 and how that impacts the GBF.	CPCA	1. On Track
002	Full impact on of reduced area option on B&K is currently unknown.	Contractor currently progressing with the Stage 4 and 5 design and are not aware of the proposal to reduce the building size. Any changes may incur abortive work for them. A review of the requirement for any early orders will also need to be undertaken. In addition, the change may impact B&Ks current communications with their supply chain.	2. Commercial - viability	CPCA	4	5	4	4	100	Notification to be given to B&K around the revised approach when confirmed. It is noted that they are unlikely to be able to inform their supply chain of the changes until the completion of the revised design. In the revised costs issued to CPCA on 14th April the prolongation of the PCSA and associated prolongation in professional fees has been accounted for.	CPCA	1. On Track
003	Following notification from CPCA on 7th April that the capital contribution from Photocentric was going to reduce, Mace have submitted the relevant cost, programme and design information to inform CPCA of the relevant implications of the change in approach. CPCA are required to inform the Mace design team of the next steps; there are significant implications of pausing the team until June 2021 when all relevant board meetings have taken place.	Additional fees incurred, programme risks if no action is taken until June 2021.	4. Programme	CPCA	4	5	4	4	100	Mace have provided a detailed programme, risk, cost and design summary for the revised approach (based on a reduced GIFA and budget) which has been presented and issued to CPCA on 14th April 2021. In order to mitigate the impact of the potential change it is suggested that the design continues until the point of the June board meeting where sign off on the reduced building size (and associated updated business case and modelling) has been concluded.	CPCA	1. On Track
004	B&Ks programme (revision L_1) has been developed on the basis that Phase 1 and 2 complete within several weeks of each other. On the basis that the revised building area is taken forward, the project team have projected a c. 3 month programme delay which moves the Phase 2 completion date out to December 2022.	Additional costs and interfacing considerations - impacts to public / end users / stakeholders	9. Construction/ Logistics	CPCA	4	5	4	4	100	When directed by CPCA, the reduced area scheme and associated implications will be discussed with B&K. In the revised budget and cashflow shared with CPCA assumptions have been made regarding the prolongation of the PCSA to ensure there are sufficient funds to cover the extended period of time.	CPCA	1. On Track
005	Lack of brief from end users could lead to undefined special requirements as well as not meeting the tenants' insurance requirements when considering fire strategy, CLT and floor compartmentation strategy.	Assumptions need to be made, possibly causing late changes during the design and construction phase which will cause delay to programme and increased cost. Could reduce tenants interest.	6. Design	CPCA	3	5	3	3	90	Assumptions were qualified in the stage report and will continue to be throughout the design. Without the input of the commercial operator, requirements are taken from those of the anchor tenant and CPCA.	CPCA	1. On Track
006	Following notification from CPCA on 7th April that the capital contribution from Photocentric was going to reduce, Mace have submitted the relevant cost, programme and design information to inform CPCA of the relevant implications of the change in approach. An external appraiser will need to review and develop a revised business case which will be subject to a VAT and State Aid assessment.	External appraiser reviews and business model is no longer financially viable. Project is no longer taken forward or is significantly amended.	2. Commercial - viability	CPCA	3	5	5	5	75	Mace project team to feed in to this process as and when requested by CPCA; programme, budget and design information has been provided to CPCA as of 14th April to inform this process. An external appraiser will review and develop a new commercial model, which will be subject to a VAT and State Aid assessment. Project team to be kept informed of developments.	CPCA	1. On Track
007	It is understood that the proposed revised operating model (Photocentric acting as operator on behalf of PropCo2) gives a better chance of securing the reclaimed VAT. This approach has not been tested as of 14th April 2021 to confirm whether the VAT is definitely reclaimable.	CPCA unable to recover VAT and no alternative funding sources are available	2. Commercial - viability	CPCA	3	5	3	4	75	Mace project team to feed in to this process as and when requested by CPCA; programme, budget and design information has been provided to CPCA as of 14th April to inform this process. An external appraiser will review and develop a new commercial model, which will be subject to a VAT and State Aid assessment. Project team to be kept informed of developments.	CPCA	1. On Track

Schedule 6 – Risk register

Risk Identification												
ID	Title / Description (Cause)	Effect	Category	Risk Owner	Likelihood	Cost Effect	Time Effect	Quality		Management Plan	Action Owner	Status
008	VAT currently excluded from the cost plan as per CPCA email John T Hill 21.10.2021 18.10 that Photocentric will borrow more money to cover off the risk that VAT recovery is not achieved by CPCA	CPCA unable to recover VAT and mitigation assumed that Photocentric unable to borrow more money to cover VAT risk	2. Commercial - viability	CPCA	3	5	3	4	75	Refer to CPCA email from John T Hill (21.10.2021 18.10) which confirms that CPCA are brokering a deal with Photocentric that they will borrow if VAT is irrecoverable CPCA (Vanessa) to confirm with Deloitte that the risk remains as scored. To be reviewed as part of the revised commercial operator model.	CPCA	1. On Track
009	In order to secure planning permission for Phase 2, a parking provision on the regional pool has been developed as a temporary solution, however it is acknowledged that more work is required to develop a permanent solution, which the project team have been asked to look at.	None of the permanent solutions may be viable for the site.	6. Design	CPCA	4	4	3	3	60	As of 14th April, CPCA (MF) is to confirm how the appraisal of the car parking solutions should be undertaken, given that the high level assessment so far has identified at least one of the options as unviable. Until the commercial assessment is undertaken the impact of the revised parking solution is unknown.	CPCA	1. On Track
010	Temporary car parking solution needs to consider that the regional pool will be unavailable during construction of a decked car park, which reduces the available city centre capacity.	Temporary parking solution needs to be found during coconstruction which may cause issues for local authority / local residents as well as incurring additional costs	6. Design	CPCA	4	3	2	4	64	TTC (transport consultant) to consider and prepare revised wording to inform the LPA in the amendment that is issued to planning on 16th April. Temporary car parking arrangements will need to be made to offset the displaced parking demand.	Project Team	1. On Track
011	Currently assumed that planning conditions will not be overly onerous and can be run in parallell where applicable to the main building works.	Delay to programme.	4. Programme	CPCA	4	2	4	2	64	Planning strategy provided by Pegasus will seek to reduce pre commencement conditions where possible. Pre commencement conditions likely to be known prior to issue of planning decision notice.	Project Team	1. On Track
012	Commercial operator procurement is not being undertaken concurrently with the design development for Ph2, so the operator may not get the opportunity to input in to the design.	Building footprint and layout not supported by an agreed operating model reduces the market attraction to a potential future commercial operator and or R&D companies into the building. Operation and maintenance of the building is more costly / onerous than anticipated. Route for commercial operator currently suggested may be subject to challenge from a procurement perspective.	15. Operational	CPCA	4	3	3	4	64	Following notification on 7th April that there is a change proposed the approach to the commercial operator, it is understood that discussions are still ongoing as to how this is managed through the AfL / shareholders agreement.	CPCA	2. Delayed
013	Planning determination not secured by required date	Delay to construction commencement	4. Programme	CPCA	4	4	4	2	64	Continual engagement with PCC through the application process. Refer to Mace Master Programme Revision 1g for revised planning approach. Planning was submitted 22nd February to give best chance of planning being secured on time.	Pegasus	1. On Track
014	Commercial operator is unable to obtain tenants to fill the space in the Phase 2 building, over and above the space taken by Photocentric.	Potential for the scheme to be unviable, and this will not be known at the point of B&Ks contract award (June 2021).	2. Commercial - viability	CPCA	4	4	4	2	64	CPCA / Photocentric to lead market engagement.	CPCA	1. On Track
015	Specialist space is undefined due to lack of end users	Assumptions need to be made, possibly causing late changes during the design and construction phase which will cause delay to programme and increased cost.	6. Design	CPCA	4	4	4	3	64	Assumptions were qualified in RIBA 2 report, will seek advice from CPCA as to the viability of the space being provided. CPCA also reviewing with specialist consultants for input in leiu of the appointment of a commercial operator.	Project Team	1. On Track
016	Lack of brief from end users causing uncertainty for MEP Strategy	Assumptions need to be made, possibly causing late changes during the design and construction phase which will cause delay to programme and increased cost.	6. Design	CPCA	4	4	4	3	64	Assumptions were qualified in the RIBA 2 report, will seek advice from CPCA / Photocentric. CPW continuing to provide flexibility throughout the design process. Risk remains that the commercial operator is not appointed to provide guidance. CPCA to consider advice on operation and maintenance.	Project Team & CPCA	1. On Track
017	Failure to agree shareholder agreement and GBF funding requirements to allow sign of building contract	Delay start on site impact completion date	13. Legal	CPCA	4	4	4	3	64	Ensure legal team and parties in JV are aware of the deadlines and that legal team be clear on legal interface and information required. As of 14th April the shareholders agreement and AfL have not been resolved / executed.	Pinsent Masons	1. On Track
018	As a result of the need to reduce Photocentric's capital contribution to the building by £800k, the building size needs to reduce and the planning application will be amended, following receipt of planning permission.	May not be looked on favourably by plannning authority. May also not be resolved as a planning amendment and needs to go back as a new application.	4. Programme	CPCA	4	3	4	3	64	Guidance given by planning consultant is that application should be acceptable as an amendment given the building is getting smaller and not larger, however engagement with PCC (when required / instructed) will be required.	CPCA	1. On Track

Effect	*Probability*	*Cost (£)*	*Schedule (weeks)*
1 (VL)	<10%	<5k	<2
2 (L)	10-25%	5-25k	2-4
3 (M)	26-50%	25-100k	4-8
4 (H)	51-75%	100-250k	8-16
5 (VH)	76-100%	>250k	>16