



OVERVIEW AND SCRUTINY COMMITTEE	AGENDA ITEM No:
29 JULY 2020	PUBLIC REPORT

1.0 PURPOSE

- 1.1 The purpose of the report is to provide the Overview & Scrutiny Committee with an update on the progress made in the creation of the new University of Peterborough Phase 1 build and HE Academic Partner.

DECISION REQUIRED

Lead Officer and Author:

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The Committee is recommended to:

1. Note the progress being made in the new University of Peterborough Phase 1 build and HE Academic Partner

2.0. BACKGROUND

- 2.1. Following the reprofiling of the University of Peterborough project in May 2019 and approval of the Outline Business Case in January 2020, permission to develop a Full Business Case (FBC) was granted. The FBC now developed incorporates the successful HE Academic Delivery Partner's (ADP) business and operations plan. It was co-written by Mace consultants with Combined Authority staff (project management, procurement, legal, governance and finance) commenting on content. The Skills Committee held on 6th July 2020 unanimously endorsed the recommendation to ask the CA Board for approval of the FBC on 5th August 2020. A copy of the FBC is at Appendix A to this paper.

2.2 The FBC's key components to note include:

- the successful Award of the HE ADP RIBA 3 designs to inform a full planning permission submission for the 4 acre site on Bishops Road, Peterborough;
- the key legal documents and structure required to mobilise the build; and
- a two stage JCT design and build contract for the main contractor to build Phase 1.

The FBC also demonstrates the commercial viability of the new University of Peterborough Phase 1 curriculum offer and business model. It incorporates the stress-tests carried out on the model for post COVID-19 delivery taking on board student demand data, business engagement strategies, key stakeholder engagement, communication and marketing strategies.

2.3 The CPCA, PCC and the 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. Conditions Precedent in the transactional agreements state that the completion of the overall project is conditional on: LGF funding being awarded; planning permission being obtained; and the Building Contract being successfully procured.

2.4 Project governance has been established to reflect the current arrangements within each organisation. CPCA will, under a 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 a Transition Board and Project Management Board until the suite of legal arrangements are signed in August 2020, 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 strategy, framework and plan for dealing with change is embedded within the project governance arrangements.

2.5 Due to the COVID-19 pandemic and the need for a national and regional skills recovery plan, it is imperative that the local labour market for skills is reassessed and redefined. The Business and Skills directorate are commissioning an Integrated Business and Skills Insight programme which will inform the Business and Skills recovery programme post COVID-19. The findings of the commissioned refresh work, will enable us to revisit the evidence base/data currently held within the Combined Authority's key documents including the Cambridgeshire and Peterborough Independent Economic Review (CPIER), the Local Industrial Strategy (LIS) and the Skills Strategy (SS).

2.6 The new University of Peterborough is key to the regeneration of the skills and education marketplace for higher value skills in our economy. It needs to focus on the skills gaps within the Peterborough, Fenland and Huntingdon areas. Our ability to support the skills recovery programme in HE will include widening participation and improving social mobility as well as our ability to grow and retain local talent. Currently the East of England is the 2nd lowest of all regions in the UK for participation in HE at 44%. The national average is 47%.

2.7 The HE academic offer will be tailored to the current and future demands of businesses in the City and wider area as well as leveraging new high value businesses to the region. The new University delivery model will be agile and flexible in its approach to delivery with a curriculum offer in health and social care, education, business, sciences, digitalisation and technologies as well as agriculture and environmental sustainability. Life Sciences addressed in the CPIER as a priority area will, following the pandemic become an area of need and growth. The plan for the qualifications to be provided, space required and staffing levels has been developed through the negotiated procurement process with the HE ADP and the development of the Shadow Curriculum Model referred to above to support the sub-economies of the region. The curriculum identified in the FBC has been expanded from 3 faculties outlined in the OBC shadow curriculum to include an additional faculty in Health & Social Care and Education.

The 4 faculties now cover:

- Business, Innovation, Entrepreneurship and Professional Services.
- Creative & Digital Arts and Sciences.
- Agriculture, Environment and Sustainability.
- Health & Social Care and Education.

Future phases of the new University of Peterborough programme and the Post COVID-19 Skills Recovery Plan will see other curriculum areas added to the portfolio as the future phases are developed.

- Engineering
- Manufacturing and Advanced Materials
- Logistics and Distribution
- Life Sciences;

Phase 2 of the University Campus will be a Research and Innovation Centre and Phase 3 will address the growth and expansion of Phase 1 enabling the HE ADP to grow student demand and the curriculum offer.

Future buildings timeframe and costs are:

- Phase 2 (£18m): commercial research and development expansion, which can proceed independently of Phase 3 – 2,200 sqm – October

2020 to January 2022 (subject to BEIS confirmation 30 July 2020 – potential to accelerate delivery).

- Phase 3 (£85m including land): growth from 2025 students up to 10,000 students on roll by 2029/2030. It comprises two further teaching focused buildings Phases 3a and 3b, opening in 2025 and 2028. Spade in the ground (commencement of Phase 3) Q4 2021 - Completion of Phase 3a (for occupation) September 2025. Total build of Phase 3 is 13,500 sqm.

Phase 1 is a £30.47M capital build for a 5300 sqm building based on the original drawings and designs tabled at the public consultation in February 2020. The location of the building and the site plot identified in the OBC as land off Bishops Road, along the Embankment site on the Wirrina car park remains unchanged. This site has been located with land zoned in the Local Development Framework as reserved for University. The total of the land contribution is £1.87M bringing the total budget for the build to £30.47M.

Employment outcomes:

- Number of temporary jobs created: 50 in construction
- Number of jobs created: 33 University staff initially.
- Number of indirect jobs created: 66 in the University supply chain rising to 398.
- A further 166 directly employed staff as the University Faculties grow.
- Number of indirect jobs to be created: 14,000
- Number of Apprenticeships to be established:
- Level 6 (over 3 years) – 4,383
- Level 7 (over 3 years) – 677.

3.0 MANAGEMENT OF THE PROJECT

3.1 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 stakeholder engagement and communications strategy.

3.2 The project is led by CPCA in partnership with PCC who have agreed Heads of Terms for operation of the new University with the ADP. CPCA will provide funding to support the development of the university campus (which will be owned by CPCA, PCC and the ADP 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.

- 3.3 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. CPCA have appointed external consultants to ensure the necessary capacity and capability is available for successful implementation of the project.
- 3.4 The project plan has been developed around the following key dates: spade in the ground (commencement of phase one) Q3 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).
- 3.5 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.
- 3.6 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 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.
- 3.7 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 and the main contractor from September 2020.

4.0 HE PARTNER AND LEGAL STRUCTURE

4.1 The HE Partner procurement selection and award process commenced in August 2019 and through a negotiated process enabled the CPCA to work with the successful HE partner to inform the design of the building for Phase 1. The award of this contract and the launch of the HE Partner will take place in July 2020. Due to the complexity of this project, multiple clients and stakeholders the project requires careful sequencing and coordination for all elements of the legal structure and the project objectives are to be met.

- 4.2 The Combined Authority carried out a Competitive Procurement process and has identified the preferred bidder, the ADP, with whom we will deliver the new University of Peterborough. The process included securing a capital input by the ADP.
- 4.3 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 to the CPCA and its agent to act on behalf of PropCo in the design, and delivery of phase 1 of the new University.

5.0 MAIN CONTRACTOR PRECONSTRUCTION AGREEMENT

- 5.1 In May 2020, the CPCA issued a 2 stage JCT Design and Build procurement on behalf of PropCo, to source a main contractor for the Phase 1 build. An OJEU compliant notice was issued on Pro North and the first stage comprising of Standard Selection Questionnaires resulted in 19 returns. These returns were reviewed by a technical evaluation panel of 7 industry experts and a short list of 5 companies drawn up.
- 5.2 The next stage of the procurement saw the Invitation to Tender go live on 25th June 2020 with returns due by 23rd July 2020. The evaluation and moderation of these tenders will take place by the technical review panel on 31st July 2020 resulting in the successful main Contractor being asked to enter into a Preconstruction Service Agreement in August 2020 to develop the design and agree a fixed price for the Phase 1 build.

6.0 COVID-19 IMPACTS AND OPPORTUNITIES

- 6.1 Detailed stress testing with the ADP was carried out through a series of COVID-19 workshops to ascertain the impacts of COVID-19 on the performance and viability of the University Phase 1 project in regard to student numbers. The stress testing workshops attended by members of the Business Board, Mace and their HE consultants as well as representatives from the successful Academic Delivery Partner were held to stress-test their business and operating model for flexibility and agility to flex to meet the changing needs within HE caused by the pandemic. The findings of the workshops identified these impacts as well as recognising that COVID-19 also provides opportunities.
- 6.2 Following the impact of Covid-19 the ADP set up 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 Higher Education Institutions 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.

6.3 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.

6.4 The ADP also 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. They are undertaking a wide range of preparatory activities to develop the curriculum offer taking full account of the impacts of (and opportunities presented by) COVID-19 as they become clearer.

6.5 The relative stability, robustness and strength of the ADPs business model and financial position includes the fact that they are 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.

6.6 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. 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.

6.7 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 with other locations operated by the ADP to create economies of scale.
- Prudent use of the contingency budget.

6.8 The creation of a technical University for Peterborough designed to meet the skills gaps in the region and drive up economic growth is unique in that the courses and qualifications offered will align to the sectors and industries required for recovery. Predicated on digitalisation and new technologies for delivery including mix and augmented reality as well as blended learning and online learning the university model was ahead of the curve pre COVID-19 and post COVID-19. Other HEIs will need to adapt their delivery models to ensure they retain their student demand. Students also demand face to face interactions, peer learning and peer review as well as wellbeing and safeguarding, therefore it is not possible or successful to just adopt the digital delivery methodology – a hybrid will be the way forward for all HEIs.

6.9 It is evident that recessionary 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 recessionary impacts to develop contingency plans and are planning the new University of Peterborough offer based on this experience and engagement with local stakeholders.

6.10 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.

6.11 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 ADP curriculum offer 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.

6.12 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 longer term.

6.13 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. To that end, the new University of Peterborough is critical to the economic recovery of the region.

6.14 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. Widening participation and improving social mobility will support a more inclusive recovery.

6.15 The ADP has demonstrated that their predicted student numbers may well fluctuate due to the pandemic however, that means they may also increase as high employment, retraining, reskilling and upskilling through lifelong learning becomes a route into jobs and careers in the public sector as well as private industry.

7.0 FINANCE

7.1 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

7.2 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 for running the University are anticipated to exceed the available budget and the ADP will meet the full costs of working capital to cover this anticipated £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

7.3 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 the new University operating model.

7.4 The LGF investment was approved by the Business Board and Combined Authority Board based on the option to sell the 12.3m shares purchased with Local Growth Funding by 2028. This would rely on a buyer being found for the shares and would affect the balance of control between shareholders in DevCo but would have no direct impact on the project financials and deliverability.

8.0 KEY ISSUES

8.1 **Student demand and student numbers** annotated in the HE partner's bid is much lower than those originally predicted, however, for a new University starting out this is realistic. The original model was based on 15-20% on campus delivery with the remainder off-campus, in work placements, on the job training, mature learners reskilling and retraining in the workplace too. The ADP has calculated their student numbers based on current working models with 30-46% on campus dependant on the qualification. It is our belief that with the introduction of more on-line learning and blended learning opportunities created by the COVID-19 pandemic, this will ensure that the ADP's current delivery model is developed to respond to the changing market and will in fact, be more akin to the one originally set up in the OBC.

8.2 **COVID-19 - post pandemic HE landscape.** Detailed stress testing with the ADP was carried out through a series of COVID-19 workshops to ascertain the impacts of COVID-19 on the performance and viability of the University Phase 1 project in regard to student numbers. A series of COVID-19 stress testing workshops attended by members of the Business Board, Mace and their HE consultants as well as representatives from the successful Academic Delivery Partner were held to stress-test their business and operating model for flexibility and agility to flex to meet the changing needs within HE caused by the pandemic. The findings of the workshops identified these impacts as well as recognising that COVID-19 also provides opportunities – see 6.0 above.

8.3 **Business Engagement and Curriculum Development.** Robust business engagement is key to the success of this project and with the skills landscape changing post COVID-19, it may well be that the

curriculum defined in the FBC needs to change to meet the skills gaps and needs following the pandemic. It is envisaged that the NHS will be decimated and retraining, upskilling and training will be required to rebuild the NHS. The ADP has a strong track record in nursing and midwifery, however, more clinical qualifications may also be required. It may well be that more courses in bio-medical science are required to support diagnostics, track and trace. Businesses in Peterborough may need to diversify to survive, again this would create opportunities for a more diverse curriculum. This has already been embedded into the delivery model.

8.4 Financial restraints within the Full Business Case. 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. It may be one option for the ADP to borrow the start-up loan from the CPCA at market value current interest rates.

8.5 Economic returns. 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.

9.0 Appendices – hyperlink to Skills Committee papers plus website and video links

Appendix A – Full Business Case

Powerpoint presentation

University Website <http://arupeterborough.leadgenerastaging.com/>

University Video <https://spark.adobe.com/video/1MzEMneuF99SY>

