

## AGENDA ITEM 6

Report Title: Phase 3 Short Term Cashflow Finance

To: Peterborough HE Property Company Ltd Board

Meeting Date: August 2021

From: Vanessa Ainsworth, CPCA Finance Manager

Recommendations: The Peterborough HE Property Company Limited (Prop Co 1) Board is recommended to:

- a) Consider and approve the short term cashflow financing of the enabling and mobilisation works for Phase 3 of the University project:
  - a. A spend of £120k at risk included in the £723.6k below
  - b. A total spend of £723.6k, between August 2021 and February 2022, which will be returned upon the transfer of LUF funding into the company

### 1. Purpose

- 1.1 This paper seeks the boards consideration and approval of the short term cashflow financing of the enabling and mobilisation works for Phase 3 of the University project. This will enable the mitigation of risk that the project will not meet construction deadlines as required by MHCLG for the Levelling Up Fund (LUF) bid by Peterborough City Council.

### 2. Background

- 2.1 Phase 3 will provide a further teaching building, complete with public facilities for arts and culture for the wider University project. This is a vital phase as it enables capacity to grow to 5,000 enrolments per annum, which is the critical mass level to provide sufficient student revenues for the university to become commercially sustainable long-term – securing a university for Peterborough as a permanent institution. Below this level, the university operation requires financial subsidy to operate, which is currently being provided by the Combined Authority, in the form of supply of the buildings rent free. However, this is not sustainable long-term, as this £25m of equity investment is committed to be recycled into further university phases as they progress.

- 2.2 PCC have submitted a £20m bid to the LUF to finance the construction of Phase 3 of the University. This will involve a further £2m contribution from the CPCA Business Board (agreed on 9th June 2021), and £5.4m from PCC for sufficient land for all the remaining phases, plus £4m from ARU.
- 2.3 Significant work is required over the summer to enable and mobilise the Phase 3 development, and before the formal offer of the LUF grant to PCC is made from MHCLG. The formal response is expected late August/early September 2021.
- 2.4 The work involved includes:
- A RIBA Stage 1 design and outline planning application for the university campus,
  - Appointment of consultants to develop a Full Business Case (FBC) to seek further approval from the relevant company/board to develop the design and cost certainty and allow entering into a legal agreement to deliver the project through Prop Co1.
  - Resourcing three overlapping Phases of University Delivery in 2022/23.

### 3. Key Costs of the Project

#### 3.1 Securing Outline Planning Permission for all phases of the University through to 2030

3.1.1 Peterborough's Embankment lies north of the river Nene and to the east of the city centre. It consists of the university opportunity area to the north and the Embankment opportunity area to the south, both east of the Frank Perkins Highway. The university opportunity area is allocated for higher education use in PCCs Local Plan 2018-36, whereas the embankment opportunity area is designated public open space. With CPCA leading the university campus programme, Phase's 1 and 2 will be completed in 2022, with later phases coming forward to 2030 as student demand increases and funding is secured.

3.1.2 To secure approval by Government for the Phase 3 LUF bid, given building is required to commence in March 2022 and complete by March 2024, it will be necessary to demonstrate a viable route to achieving planning approval rapidly enough to deliver build completion by that date. To do this, Prop Co 1 will need to advance an Outline Planning Application (OPA) during 2021 for all the later university phases.

3.1.3 While the planning strategy for Phase 1 and Phase 2 adopted an 'individual' application approach, the planning authority have indicated they are unable to determine later phases in the same way giving the need to agree design, environmental, transport and parking mitigation measures on a 'campus' basis to avoid detrimental impacts. As such, the planning authority have

recommended that an OPA comes forward as a development framework for later phases.

**3.1.4 The OPA will require a budget of £543.6k (incl. VAT) in total, however enabling work is required immediately and will be prior to the outcome of the LUF bid. £423.6k of this work will not be commissioned until the outcome of the LUF bid has been confirmed to PCC. £120k of enabling work is required immediately to finance works on the OPA from July- September and is classified as 'spending at risk'.**

### 3.2 Development of an FBC for Phase 3 of the University

3.2.1 An FBC is required to enable the allocation of the LUF Grant to Prop Co 1. The FBC will draw up the necessary information to enable Prop Co 1 to approve the finalising of the required legal documents, enter into contract with a design team and drawing up of the necessary design and build contracts to deliver Phase 3 of the University.

**3.2.2 It is requested that £60k is allocated to finance the work of the FBC for Phase 3. This work will not be commissioned until the outcome of the LUF bid has been confirmed to PCC.**

### 3.3 Project management resource to deliver Phase 3 of the UoP

3.3.1 At the point of planning and getting sign off in 2019 through to the 2020 staffing restructure that included just one Senior Responsible Officer for the whole university project, the CPCA and Prop Co 1 did not have visibility of the LUF funding that would appear in spring 2021 that we would potentially succeed in winning £20m to fund Phase 3.

3.3.2 We are in the current position of having had success in funding for Phase 2 and being engaged in delivery of two phases of the university we are now asking for more resource. The resource is mostly for Phase 3 which the current structure had not envisaged at such an early stage of the project. Being able to cope effectively with current demand and ensuring sufficient capacity for the increase in workload is crucial.

**3.3.3 It is requested that £120k is allocated to finance the required resource for the delivery of the Phase3 from now till 2023. This work will not be commissioned until the outcome of the LUF bid has been confirmed to PCC.**

### 3.4 It is recommended that once the LUF bid has been confirmed, PCC issue a statement in writing to Prop Co 1 confirming the success of the bid and that their intention is to invest £20m into Prop Co 1. On receipt of this statement, Prop Co 1 can commission work. This will provide Prop Co 1 with assurance that the required investment will materialise.

## 4. Financial Implications

- 4.1 The total request for funding is £723.6k to finance all the enabling and mobilisation works required for Phase 3. This funding is required to be spent between now and the end of the financial year in March 2022. The table below gives the full details. It should be noted that all figures mentioned include VAT as Prop Co 1 is not VAT registered and will therefore be unable to claim any VAT incurred.

Expenditure Description	At Risk Spend	Not at Risk Spend	Total Spend
Outline Planning Application	£120,000	£423,600	£543,600
Full Business Case	£0	£60,000	£60,000
Additional Resource	£0	£120,000	£120,000
<b>Totals</b>	<b>£120,000</b>	<b>£603,600</b>	<b>£723,600</b>

- 4.2 The board is being asked to consider facilitating the above spend by utilising its current cashflow position in advance of the LUF funding and the investment of the LUF funding into Prop Co 1.
- 4.3 The at risk spend of £120k must be considered carefully, as if the LUF funding is not approved by MHCLG, this money will be removed from the company's finances. It is recommended that all options are considered by the directors, and should the funding of the work be agreed, then this sum be allocated within the contingency budget in case it does not transpire.
- 4.3 Confirmation of the LUF bid is expected in late August/early September 2021, and should this be successful, it is likely that funds will be transferred to PCC in October/November 2021. The development of the legal agreement between Prop Co 1 and PCC for the investment of these funds is envisaged to take a few months and therefore it is unlikely that the funds will be invested not Prop Co 1 until February/March 2022. This therefore means Prop Co 1 will be utilising its cash position for 7-8 months.
- 4.4 The current forecast cashflow position for the financial year is shown in the table below.

	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	FY 21/22 Total
Opening Balance	£1,749,297	£4,615,159	£3,704,490	£6,651,114	£4,656,664	£2,525,171	£6,951,927	£5,841,483	£3,909,235	£ 2,074,497
Total Income	£3,839,999	£ -	£4,503,000	£ -	£ -	£6,000,000	£ -	£ -	£3,000,000	£20,542,999
Total Expenditure	£ 974,137	£ 910,669	£1,556,376	£1,994,450	£2,131,493	£1,573,244	£1,110,444	£1,932,248	£2,148,108	£17,856,369
Closing Balance	£4,615,159	£3,704,490	£6,651,114	£4,656,664	£2,525,171	£6,951,927	£5,841,483	£3,909,235	£4,761,127	£ 4,761,127