

University of Peterborough Phase 3 Living Lab - Full Business Case

To:	Business Board
Meeting Date:	9 January 2023
Public report:	Yes
Lead Member:	Lead Member for Skills, Councillor Lucy Nethsingha
From:	Senior Responsible Officer for Higher Education, Rachael Holliday
Key decision:	No
Recommendations:	<p>The Business Board is recommended to:</p> <ul style="list-style-type: none">a) Note the Full Business Case for the University of Peterborough Phase 3 Living Lab; andb) Note the next steps for the development of a University Programme Business Case, as set out in paragraph 2.2.5 of the report.

1. Purpose

- 1.1 The purpose of this paper is to present the Business Board with the Full Business Case (FBC) for Phase 3 Living Lab of the University of Peterborough project. The Outline Business Case (OBC) was first presented and reviewed by the Business Board on 10 January 2022. The FBC updates the OBC for Phase 3 to account for the progress made on clarifying the scope of Phase 3 throughout 2022.
- 1.2 Alongside the development of the Phase 3 FBC, further work has been undertaken by the University Partners to assess the progress measures to monitor the ongoing wider impact of the University, with these measures tied into broader strategic objectives for Peterborough and the Combined Authority region. It is proposed that there will need to be an ongoing review of these measures and governance arrangements to support a wider University of Peterborough Programme Business Case, including recommendations to review governance and reporting structures alongside, and approval for the submission of a Campus Outline Planning Application

2. Background

2.1 Key changes in the FBC

- 2.1.1 The FBC for Phase 3 Living Lab of the University of Peterborough project is attached at Appendix 1. The following table covers the key changes since January 2022:

Section	Key Change
All	<ul style="list-style-type: none">• Edited the document for currency e.g. to include the outcomes of town planning discussions based on the development of the building on the Regional Pool Car Park, cost plan design work in line with the RIBA work stages¹, inflation risks, removed outdated content e.g. detailed Covid-19 implications and discounted site information.
Strategic	<ul style="list-style-type: none">• Updated strategic context for currency and relevance to Phase 3.• Inserted objectives specific to Phase 3.• Added additional detail regarding the Living Lab and how it will be used.• Refined the scope of the project to account for developments in 2022 e.g. RIBA Stage 3 and special co-ordination, town planning submissions.
Economic	<ul style="list-style-type: none">• Updated and remodelled the Economic Case to focus only on Phase 3, confirming that the preferred option set out in the OBC remained the preferred option.• Updated the Economic Appraisal and benefit-cost ratio (BCR) to account for the following:<ul style="list-style-type: none">◦ Wider national economic impacts, including using lower figures for the anticipated salary uplift for both undergraduates and postgraduates.

¹ Royal Institute of British Architects Plan of Work [RIBA Plan of Work \(architecture.com\)](https://www.architecture.com/ribs/plan-of-work)

	<ul style="list-style-type: none"> ○ The uncertainties inherent in forecasting student numbers by applying sensitivity testing assuming student numbers at 50% of the optimal level. ○ Extended the period of analysis for which benefits are being considered to 15 years, which is reasonable given the long-term nature of the Phase 3 investment. <p>The overall impact of these changes is a lower BCR compared to the OBC. However, for the optimal student number the BCR is 3.32, and for the baseline student number (50% of the optimal value) the BCR is 2.02 – therefore in both cases the Value for Money is considered High.</p>
Commercial	<ul style="list-style-type: none"> ● Updated setting out the proposed procurement route for the Main Contractor, Land, Information Technology/Audio Visual and Professional Team. ● Updated the Budget estimates based on the RIBA Stage 3 cost plan.
Financial	<ul style="list-style-type: none"> ● Confirmed that all funding Streams remain valid. ● Reviewed project affordability and confirmed that the project is still affordable.
Management	<ul style="list-style-type: none"> ● Confirmed governance arrangements. ● Updated project plan, risk management, achievability etc. ● Developed new progress measures for the university's wider impacts.

2.1.2 It has been acknowledged that there is a need to establish a monitoring and review process to show the impact of the University. This has been discussed with the University Partners and an indicative set of progress measures are included in Section 5.9 of the FBC. This will be progressed through further engagement with the University Partners and Shareholders, so that baselines and targets can be agreed and reported against.

2.1.3 There will need to be an ongoing review of these measures, and agreement on how and where they are reported will be factored into a wider piece of work, including a review of the governance arrangements, as part of a University Programme Business Case.

2.2 Look ahead and next steps for the Combined Authority

2.2.1 As set out in the Combined Authority's Employment and Skills Strategy, the Combined Authority's role is to provide system leadership across the education, skills and employment continuum. The University of Peterborough requires co-production with public sector partners, business education institutes, providers and communities.

2.2.2 A key programme objective for the University of Peterborough 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. Until self-sufficiency is reached, project affordability is dependent upon securing public funds and matched investments from project partners / private investors for each phase of development. To date the programme is designed so that public funds 'pump prime' the programme, with the contribution of public funds tapering off over time and significantly increasing the role of the private sector in the latter two phases. To date, each

phase of the programme is individually funded and shown to be affordable, and the operational costs of the programme are embedded in the capital costs of delivery.

- 2.2.3 As mentioned in paragraph 2.1.3 of this report, work is underway to help identify an appropriate approach to the ongoing governance and monitoring arrangements of the University. Alongside this, a programme review and approach will be required to determine what can be done to identify investment through the partners and other potential private investors / companies. Further capital and infrastructure investment should be sought through targeted approaches to investors including, but not limited to, government departments, institutional investors, pension schemes, equity-based crowd funding platforms, larger local and regional businesses, housing developers and Anglia Ruskin University. This piece of strategic work will bring together the Combined Authority's business and skills strategies, and can only be achieved through the continued collaboration of the University Partners and Shareholders.
- 2.2.4 As part of this role, the Combined Authority is well placed to continue to work with the University Partners and Shareholders to develop and define a programme business case and improved governance and reporting model. The Combined Authority has an existing role as a development manager to PropCo1 to deliver the Phase 3 building. Work is underway with PropCo2 to establish the operational support required from to support the business model for the Peterborough Innovation & Research Centre (Phase 2). One of the biggest challenges in taking a programme approach to the delivery of the University is the lack of capacity within the partners' existing operating models, and the lack of a private sector business partner / lead.
- 2.2.5 Proposed next steps for the development of a University Programme Business Case:
- (i) In consultation with the University partners and shareholders of PropCo1 and PropCo2, review governance arrangements with a view to developing a programme related governance structure.
 - (ii) Preparation of the Campus Outline Planning Application for the potential future ambition.
 - (iii) Further progress update against progress measures agreed with partners including outline for the University of Peterborough Programme Business Case.

Significant Implications

3. Financial Implications

- 3.1 The budget for phase 1-3 sits with, and is managed by, the special purpose vehicle (PropCo1 and PropCo2). Combined Authority staff costs to support the Development Management Agreement included as part of the Shareholders Agreement are in place until December 2024. A review of any additional or long-term resources and costs will be included as part of proposals relating to a Programme Business Case

4. Legal Implications

- 4.1 Governance arrangements are in place and are managed by the special purpose vehicle – Peterborough HE Property Company Ltd. At its meeting on 26 January 2022, the Combined Authority Board approved the draft Full Business Case for the Phase 3 Living Lab including modifications to the Shareholders Agreement. In addition, delegated authority was provided to the Chief Executive of the Combined Authority, in consultation with the Chief Legal Officer (Monitoring Officer) and the Deputy Chief Finance Officer (S73 Officer), to agree changes to the Collaboration Agreement and Development Agreement. These agreements have been updated, and will be signed and dated in accordance with the timescales set out in the Full Business Case.
- 4.2 Further legal support and implications will be considered as part of the further update for the Business Board in summer 2023.
- 4.3 As per Chapter 4, clause 1.2 (m) of the Combined Authority's constitution, Shareholder Agreement matters are reserved to the Combined Authority Board.
- 4.4 Following an internal audit, a report was taken to the Audit and Governance Committee on 30 September 2022, which included recommendations to strengthen the governance of the Companies. Officers have proceeded to act in line with the recommendations in the report, which can be found in section 2.6 of the report [Document.ashx \(cmis.uk.com\)](https://cmis.uk.com/Document.ashx).

5. Public Health implications

- 5.1 ARU Peterborough and the Peterborough Innovation & Research Centre will, through local employment, training and education opportunities encourage healthy lifestyles and behaviours in all actions and activities, while respecting people's personal choices.

6. Environmental and Climate Change Implications

- 6.1 ARU Peterborough and the Peterborough Research & Innovation Centre will, through local employment, training and education opportunities will support local and environmentally sustainable choices regarding travel and transport. The design of the teaching buildings will meet BREEAM Excellent standards, and all planning applications will meet national and local standards regarding the preservation and further advancement of biodiversity in the local area.
- 6.2 As the University Campus develops over time, there are further strategies in place to work with the University Partners and the tenants of the Research & Innovation Centre, for the site and buildings to have net carbon zero impact by 2030.

7. Appendices

- 8.1 Appendix 1 - University of Peterborough Phase 3 Full Business Case

9. Background Papers

9.1 [Business Board 10th January 2022](#)

9.2 [CA Board 26th January 2022](#)

9.2 [Business Board 14th November 2022](#)