



CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY BOARD	AGENDA ITEM No: 2.4
28 March 2018	PUBLIC REPORT

UNIVERSITY OF PETERBOROUGH – INTERIM ACCOMODATION OPTIONS

1.0 PURPOSE

- 1.1. This paper seeks agreement and a funding allocation for the first stage of the University's development. The report outlines the options for the location of interim teaching and student facilities for the new University of Peterborough Board Members are asked to consider three options, and to allocate funding to their preferred solution.

<u>DECISION REQUIRED</u>	
Lead Member:	Cllr John Holdich, Portfolio Holder for Skills and Employment
Lead Officer:	Stephen Rosevear, Interim Skills Director
Forward Plan Ref: 2018/012 <i>(previously titled Peterborough University Centre Phase 2: Business Case Approval)</i>	Key Decision: Yes
<p>This report explores three options for the allocation of budget for interim teaching and student facilities for the Peterborough University. The Combined Authority Board is recommended to approve option 3:</p> <p>Option 1: Allocate a budget of £5.18m to provide interim facilities on the Peterborough Regional College site. This will require some split site operation</p> <p>Option 2: Allocate a budget of £5.72m to provide interim facilities on the Embankment development site. This will require some split site operation</p>	<p>Voting arrangements:</p> <p>Simple majority of Members</p>

Option 3 (recommended option): Allocate a budget of £9.74m to base all facilities on the Embankment development site. This is a single site solution.	
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2.0 BACKGROUND

- 2.1. There is a long-standing ambition between public sector partners, employers and the residents of Peterborough and surrounding areas to have an independent university in the city with its own degree-awarding powers.
- 2.2. The University is a key feature of Cambridgeshire and Peterborough's devolution deal, demonstrating central government support to drive forward the proposal and help meet the demands for higher level skills and education provision in the area.
- 2.3. The project is governed by the Higher Education Steering Group (HESG), which includes representation from five critical stakeholders – the Combined Authority, Peterborough Council, the LEP, Anglia Ruskin University and Peterborough Regional College. Other members of the HESG include representatives from Opportunity Peterborough, City College Peterborough, Cambridge Meridian Academies Trust, student bodies as well as several local employers.
- 2.4. New management structures and procedures were agreed with the project team, HESG and partners in January. These will ensure external scrutiny and provide assurances on project progress. They will involve the preparation of a Full Business Case and Gateway Review for December 2018. The Business Case will follow the HM Treasury recommended Five Case Business Model, and will include Strategic, Economic, Financial, Management and Commercial considerations. The Financial case will provide a clear financing model predicated on a mixture of public and private financing.
- 2.5. The Interim facilities outlined in this paper will enable the project to generate private sector interest and ensure that market engagement can proceed quickly.
- 2.6. The project is currently being driven by University Centre Peterborough (UCP), a joint venture company involving Peterborough Regional College and Anglia Ruskin University. The shape and constitution of the future corporate vehicle will be determined as part of the wider business planning exercise to be completed in the Summer, and may involve Peterborough Regional College, Peterborough City Council and the Combined Authority.
- 2.7. The current funding position is shown below:

DESCRIPTION	BUDGET ALLOCATION	DRAWN DOWN TO DATE	NOTES
June 2017: Curriculum Development and Project Management	£3.83m	£683,000	
June 2017: Interim Teaching and Student Facilities	£2.7m	Nil	Release of funding subject to preparation of Stage Two Business Case
Total	£6.53m	£683,000	

2.8. In June 2017, the Combined Authority Board agreed funding of £6.53m over the next three years, of which £3.83m was available for the drawdown of funds. To date, only £683,000 has been authorised for release to the UCP. This is to cover the preparation of the initial business case, curriculum development and project management. No money has been authorised for drawdown for the interim facilities.

3.0 Location Options

3.1. There is wide agreement that the final location for the new University should be on the Embankment development site, which is adjacent to the City Centre.

3.2. By the end of 2017, several interim accommodation options had been considered as part of the business planning process. These included:

- Status Quo – no new facilities
- Bayard Place (rental)
- Guild House (rental)
- Town Hall (North Wing, rental)
- Peterborough Regional College – traditional build / modular new build / modular rental
- Embankment Site – traditional build and modular new build

3.3. The options were assessed against the following critical success factors:

- Initial costs, refurbishment costs, other operating and staffing costs
- Ease / need for planning permission
- Ability to keep student body together (one site solution)
- Impact on student facilities, open access etc.
- Economic impact on town centre
- Does the solution provide an ongoing asset
- Whether the solution fits with the £2.7m cost envelope set by the July 2017 board

- 3.4. Based on these criteria, the only viable option to emerge from the options assessment was the provision of a modular new build on the Peterborough Regional College site.
- 3.5. In February 2018, the Mayor of Cambridgeshire and Peterborough instructed the project team to consider a different location on the Embankment site in the City centre. An interim building on the Embankment site would benefit from a city centre location, the ability to co-locate student and teaching facilities, as well as allowing an early start to wider site servicing and groundworks for the permanent site.
- 3.6. The Combined Authority commissioned an independent report by Gleeds to provide a thorough appraisal of potential interim options. This report was prepared in accordance with the Royal Institute of British Architects Stage Zero Guidance. This is included as Appendix A. The following options were considered:
- **OPTION 1** – Peterborough Regional College Site – 1,000 students (1,080m² facility)
 - **OPTION 2** – Embankment Site and UCP split site – 1,000 students (1,080m² facility)
 - **OPTION 3** – Embankment Site – 2,000 students (1,980m² facility)

4.0 OPTIONS ASSESSMENT

The Regional College (University Centre Peterborough) Site (Option 1)

- 4.1. This option would see the interim facilities based on the existing University Centre Peterborough site at Peterborough Regional College. This would require some split site teaching with existing facilities at the Regional College.

The Embankment Site (Option 2)

- 4.2. The Embankment site was proposed as the permanent home for the University, following a previous master planning exercise. The Gleeds appraisal identified a potential site on the footprint of the most easterly car park. This location has existing vehicular access, which would limit development costs and give the interim facility a street presence. This would also require some split site teaching with existing facilities on the Regional College site.

The Embankment Site (Option 3) (recommended option)

- 4.3. Option 3 uses the same location as option 2. However, Option 3 requires a bigger building to accommodate all new additional students on one site. Under this option there is no split site teaching.

4.4. Whilst a comprehensive breakdown of the options for the interim accommodation can be found in Appendix 1, a high-level breakdown of the report is detailed below.

	DEVELOPMENT COST	CONSTRUCTION COST	RISK	COMMENTS
OPTION 1 – University Centre Site	£5,180,000	£3,980,000	<ul style="list-style-type: none"> • Planning risk – car parking and other potential restrictions on Regional College site • Service upgrades may be required beyond the boundaries of the site 	<ul style="list-style-type: none"> • Not a city centre location, limiting potential for wider regeneration • No clear separation between HE and FE offer • Potential disposal costs relating to interim building
OPTION 2 - Embankment Site (1,000 students)	£5,720,000	£4,400,000	<ul style="list-style-type: none"> • Ground conditions – a full geotechnical survey will need to be conducted • Service upgrades may be required beyond the boundaries of the site 	<ul style="list-style-type: none"> • General site preparation work more extensive due to proximity to the river. • Site is adjacent to City Centre – maximising wider regeneration impact • Probable final site of the University, therefore future site servicing and related costs will be mitigated • Some split site teaching will be required • Additional £10k cost pa to the City Council to compensate for loss of income from the car park currently located on the site.
OPTION 3 – Embankment Site (2,000 students)	£9,740,000	£7,490,000	<ul style="list-style-type: none"> • Ground conditions – a full geotechnical survey will need to be conducted • Service upgrades may be required beyond the boundaries of the site 	<ul style="list-style-type: none"> • General site preparation work more extensive due to proximity to the river • Would realise economies of scale to create comparable values to option A • Site is adjacent to City Centre –

				<p>maximising wider regeneration impact</p> <ul style="list-style-type: none"> • Probable final site of the University, therefore future site servicing and related costs will be mitigated • Single site - clear separation between HE and FE offer • Additional £10k cost pa to the City Council to compensate for loss of income from the car park currently located on the site.
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3.3 To fully understand the cost implication of each option, annual operational costs have also been assessed. These costs are detailed below:

	£/m2
OPTION 1 Regional College Site	£179.65
OPTION 2 - Embankment Site (1,000 students)	£280.10
OPTION 3 - Embankment Site (2,000 students)	£192.12

5.0 SUMMARY OF ASSESSMENT

5.1. The independent cost assessment undertaken by Gleeds provides both construction and turnkey costs for the various options. As such, they are not directly comparable with previous estimates provided by the UCP project team which placed furniture and other costs against different budget headings. The Gleeds estimates also make assumptions regarding groundworks, external works, contingencies and professional fees which are consistent with a RIBA Stage 0 Appraisal. Nonetheless, the estimates provided in the Gleeds assessment would require a budget allocation over and above the £2.7m which was agreed in June 2017.

5.2. Board members should note that the wider financing issues affecting the development of the University campus will be subject to independent review and scrutiny during the wider Phase 3 business planning process beginning in April. This will explore innovative ways of raising private capital and the nature of potential joint venture partnerships. Initial independent advice suggests that there remains a high probability that a significant part of the capital costs of the University development could be provided by private sector investors.

5.3. The options can be summarised as follows:

- **Option 1:** Lowest cost; split-site teaching; less central location. Given the poor location, split site operation and limited potential for wider regeneration potential, this option fails to meet the wider ambitions for the interim facilities,
- **Option 2:** Relatively small additional cost (£700k); some split site teaching; delivers central location. This option meets many of the wider criteria set by the Combined Authority and other stakeholders, but still requires some split site operation. If the Combined Authority wished to limit its financial exposure, then this option would be recommended.
- **Option 3: (Recommended option)** Highest cost; central location; no split site teaching. This option delivers all the desired wider impacts, but at a significant capital cost. It would also provide a clear separation between FE and HE teaching facilities. This is the recommended option provided the Board can make the required funds available. The larger facilities would offer greater flexibility to the longer-term development of the campus and deliver lower costs per student over the medium to long term. Gleeds have noted that the underpinning assumptions on the area allocated to student teaching and other facilities will need to be re-evaluated as the building footprint seems small in comparison to equivalent facilities.

5.4. Board members are advised that March 2018 is the last safe moment to approve investment that will increase UCP student capacity by September 2019. Failure to approve this work would create a minimum of 12 month's delay in the overall project, undermine confidence in the growth plan, perpetuate the delay in student enhancements and defer economic benefits to the city and region.

6.0 FINANCIAL IMPLICATIONS

6.1. The Gleeds analysis provides a robust and independent assessment of the full development costs of the interim facilities.

6.2. The financial implications are dependent on the option chosen by the Board. Therefore, the financial implications for each option are as follows:

- Option 1 -- £5.18m (£2.48m extra)
- Option 2 -- £5.72m (£3.02 extra)
- Option 3 -- £9.74m (£7.04 extra)

6.3. As indicated above, the estimates provided in the Gleeds assessment are turnkey development costs, and will require a budget over and above the £2.7m which was originally allocated by the Board.

6.4. The report by Gleeds is well researched, clear and concise. Officers are confident, recognising the caveats expressed in relation to the area of Option 3, that the estimates of construction and development costs will prove to be reliable;

not least because of the benchmarking support provided but also due to longstanding experience and expertise of the firm of developments in the Educational sector throughout the UK.

7.0 LEGAL IMPLICATIONS

- 7.1 The constituent Councils of the Combined Authority expressed their intention to deliver a University for Peterborough in the devolution deal signed with Government in July 2015. The Combined Authority was given a general power of competence in order to deliver upon its aspirations in the devolution deal.
- 7.2 The general power of competence allows the Combined Authority to pay grant funding to the University Centre Peterborough to take forward phase 2 of the university development.
- 7.3 University Centre Peterborough (UCP) was formed in 2007 and is a joint venture company limited by guarantee between Anglia Ruskin University (ARU) and Peterborough Regional College (PRC). The joint venture agreement outlines the responsibilities of both parties for managing academic standards.
- 7.4 Giving grant to the University Centre Peterborough raises an important issue of state aid. State aid can occur whenever state resources are used to provide assistance that gives organisations engaged in economic activity an advantage over others. When making grant payments the Combined Authority is required to comply with state aid regulations which avoid negative effects on competition.
- 7.5 The provision of education is a non-economic activity and therefore would fall outside of the state aid regulations. Furthermore, the grant funding is not considered to distort competition on the basis that the provision being funded is for a public institution. The creation of the university will increase competition in the market and it is expected that the grant funding will enable the university to compete in the market on equal financial terms to other universities in the region and nationally.
- 7.6 However, this situation will also continue to be monitored to ensure that no state aid issues arise as commercial terms are finalised.

8.0 SIGNIFICANT IMPLICATIONS

- 8.1 It is envisaged that the establishment of the University of Peterborough will help to address current inequalities that exist in accessing Higher Education provision in the area, particularly for those in the more deprived parts of the Combined Authority area.

- 8.2 Given that many students do not apply for university place on the basis of their current financial circumstances (avoiding student debt, needing to live at home or coming from a low-income background), it stands to reason that having a more locally-based institution would afford greater Higher Education opportunities, whilst enabling them to reside at home.
- 8.3 In addition, Higher Education and skills can lead to greater opportunity in the workplace; graduates on average earn £9,000 more per annum than those without degrees.

9.0 APPENDICES

- 9.1. Appendix 1 – Gleeds Options Assessment

<u>Source Documents</u>	<u>Location</u>
<p>List background papers:</p> <p>University of Peterborough Phase 2 Business Case and Covering Report for the University of Peterborough Phase 2 Business Case considered by the Combined Authority Board on 28th June 2017 – Agenda item 2.1</p>	<p>http://cambridgeshirepeterborough-ca.gov.uk/meetings/show/2017-06-28</p>