

CABINET	AGENDA ITEM No. 12
16 January 2023	PUBLIC REPORT

Report of:	Adrian Chapman, Executive Director – Place and Economy	
Cabinet Member(s) responsible:	Cllr Lynne Ayres, Cabinet Member for Children’s Services, Education, Skills, and University	
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ARU PETERBOROUGH PHASE 3 FULL BUSINESS CASE

RECOMMENDATIONS	
FROM: Executive Director – Place and Economy	Deadline date: 31 January 2023
<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> 1. Approves the Full Business Case for phase 3 of the university programme 2. Notes the work described in section 4.9 to identify ways to measure the full impact of the new university in Peterborough and the region 3. Notes the formation of a new Peterborough Skills Partnership Board, as described in section 4.10 	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Cabinet following a request from the Peterborough HE Property Company Ltd, of which Peterborough City Council is a shareholder.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to seek Cabinet approval to the full business case for phase 3 of the ARU Peterborough University programme. The council is a shareholder in the company overseeing the development of the business case, and its approval is a shareholder consent matter requiring explicit approval from Cabinet.

Approval from the other shareholders has either already been secured or is scheduled for discussion, as follows: Anglia Ruskin University (approved December 2022); Cambridgeshire and Peterborough Combined Authority (scheduled for discussion at the Skills Committee on 9 January 2023, and if approved, the CPCA Board on 25 January 2023).

- 2.2 This report is for Cabinet to consider under its Terms of Reference No. 3.2.12, ‘*Cabinet will be responsible for the following functions in relation to the Council’s companies, partnership and charities: ... (i) Approval of Business Plans.*’

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
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4. BACKGROUND AND KEY ISSUES

- 4.1 The **first** phase of Peterborough’s new university – its first teaching block – opened on time and within budget in September. The development of the physical university has been led by the Peterborough HE Property Company Ltd, of which Peterborough City Council is a shareholder alongside ARU Peterborough and the Cambridgeshire and Peterborough Combined Authority.
- 4.2 The **second** phase of the university is nearing completion. It will be home to a research and innovation centre and is anticipated to attract tenants engaged in groundbreaking research and innovation across multiple sectors and will significantly enhance the curriculum on offer across the university campus. This development is being led by the Peterborough Research and Development Company Ltd, of which the council is *not* a shareholder.
- 4.3 The **third** phase of the university comprises a second teaching block and Living Lab and planning permission for this phase was successfully secured in December. The full business case for this phase is attached at appendix 1 and includes details of the financial aspects of the new building, its operating arrangements, curriculum and student number expectations, procurement arrangements, and links to broader city regeneration. The business case also builds in lessons learned from the first phase of the university programme.
- 4.4 Phase 3, representing a further £26m of investment into Peterborough, will be built on the site of the current regional pool car park, which itself will be replaced with temporary surface car parking nearby. Officers are also reviewing ways to ensure adequate parking for disabled pool users on the site of the regional pool itself. A separate car parking strategy will be developed in the future to ensure adequate permanent car parking provision for all visitors to the city centre.
- 4.5 As described above, this phase includes provision of a living lab. The business case describes a living lab as “...a public-facing, high-quality interactive science centre for Peterborough with public space for participatory research, exhibitions, and events, designed to stimulate and inspire more young people into STEM sectors.”.
- 4.6 Alongside the overall objectives for the university for Peterborough, this phase 3 development includes the following specific objectives:
- To grow the University via a second teaching building supporting up to a potential additional 1,700 students from 2024/25 to 2027/28 studying a mixture of undergraduate, postgraduate, degree apprenticeship, work programme and short courses (with undergraduate courses expected to make up large majority of student headcount).
 - To provide specialised teaching space, enabling ARU Peterborough to broaden its curriculum, including into STEM fields (science, technology, engineering, and mathematics) linked into local economic strengths in Peterborough and the Fens. The portfolio of courses on offer is being co-created with employers to ensure students graduate with both the industry-specific and transferable skills in demand, regionally and nationally.
 - To embed the University into the community via the Living Lab as a public-facing, high-quality interactive science centre for Peterborough with spaces for participatory research, exhibitions, and events.
 - To regenerate the site area to create an attractive University of Peterborough campus with a high-quality landscape, helping to create a ‘visible university’ linking to the city and expanding Peterborough’s University Quarter, completing other Phases of development.

- 4.7 The business case describes the overall benefit cost ratio (BCR), which measures value for money. If optimum student numbers are achieved, the BCR is 3.32 ('high' value for money according to the Government methodology). Even if 50% of the optimal level of student numbers is achieved, the BCR is still 2.02 (and therefore still falls within the 'high' value for money range).
- 4.8 The build programme is based on the following key dates:
- Spade in the ground (commencement of Phase 3) in Q1 2023
 - Complete construction of the building structure in March 2024
 - Fit out of the living lab and teaching facilities in autumn 2024
 - Completion of Phase 3 (for occupation) in autumn 2024
- 4.9 Beyond the third phase building, the partners in the university programme are working together to identify ways to measure the impact of the new university on Peterborough and the region. We will ensure that the measures identified, including those which ARU Peterborough are required to report to various regulatory bodies, align closely to our new corporate strategy. Aside from the skills development outcomes, the university will contribute directly to enhancing economic growth, improving health and wellbeing, reducing deprivation, and supporting business engagement.
- 4.10 Additionally, and following recent discussions, it is acknowledged that a Peterborough-specific skills strategy, incorporating all forms and levels of skills need and provision, is needed. This will ensure the right development of future university phases alongside other forms of provision and will ensure it is focussed on the priorities that are unique and necessary to Peterborough itself. A skills partnership board is now being planned, working closely with the Cabinet Member, to drive this work forwards.

5. CORPORATE PRIORITIES

- 5.1 This third phase building, and the entire university programme, contribute across the entirety of our corporate priorities, most notably:
1. The Economy & Inclusive Growth
 - Environment
 - Jobs and Money
 2. Our Places & Communities
 - Places and Safety
 - Lives and Work
 - Health and Wellbeing
 3. Prevention, Independence & Resilience
 - Educations and Skills for All
 - Adults
 - Children
 4. Sustainable Future City Council
 - How we Work
 - How we Enable

6. CONSULTATION

- 6.1 The development of the business case has been a highly collaborative process, with the city council working closely with the other shareholders as well as a wider group of stakeholders.

7. ANTICIPATED OUTCOMES OR IMPACT

- 7.1 It is anticipated that, upon approval of the business case by Cabinet, the development of the phase three build will continue to time and within budget.

8. REASON FOR THE RECOMMENDATION

8.1 Approval of the business case is a matter reserved to shareholders of the Peterborough HE Property Company Ltd.

9. ALTERNATIVE OPTIONS CONSIDERED

9.1 To not bring the business case forward for approval: although it is possible for the development of the phase three building to proceed without the business case being approved, not doing so is likely to call into doubt the council's overall support for the university programme, will not enable the council to endorse and validate the financial case, and will not enable the council to appropriately monitor and challenge the development as it comes forward over the next few months.

10. IMPLICATIONS

Financial Implications

10.1 The new teaching block and living lab will be built on the current regional pool car park which is owned by the council. The site is to be transferred into the Peterborough HE Property Company Ltd, in accordance with the provisions of that company, and therefore the council will not receive a capital receipt. Instead, the council will receive further shares in the company.

The funding model for this phase of the development includes utilisation of £20m of secured Levelling Up Fund grant, for which Peterborough City Council is the accountable body. These funds can only be used for this purpose and must be defrayed in the timescale set out in the business case.

Legal Implications

10.2 Comments from Peter Collins of Sharpe Pritchard solicitors as follows:-

“For PCC, the share allocation for Phase 3 had two components: (i) the shares to be issued to PCC in exchange for the £20m LUF funding and (ii) the shares to be issued to PCC representing the agreed market value of the phase 3 land on the date of the agreement (1 April 2022). The 5.613p share valuation is a number calculated by reference to the 20m B shares issued to PCC on 1 April 2022 in exchange for investing the £20m LUF funding. It does not relate to the market value of the Phase 3 land, which is dealt with in clause 4.3 of the shareholders' agreement.”

“Although he was not involved/close to the process for agreement / assessment of market value for the Phase 3 land; however, the confidential annex appears to confirm that a Red Book valuation of the Phase 3 land was undertaken and, if that valuation is reflective of the purchase price to be paid for the land (satisfied by the issue to PCC of shares of the equivalent value) then I can't see any legal issue in relation to satisfying the requirements of s123 LGA 1972.”

Equalities Implications

10.3 The growth of the university will directly address some of the challenges residents face in accessing higher education. Its focus on attracting students from a PE postcode, and on offering a varied curriculum aligned to the needs of employers, offers local people the opportunity to learn for work. The living lab element of this phase will be especially accessible to local people and communities and will include event and other interactive spaces.

11. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

11.1 None.

12. APPENDICES

12.1 Appendix 1: University of Peterborough Phase 3 Living Lab, Full Business Case