THE
NORTHERN
SCHOOL
OF ART

RELOCATION OF THE NORTHERN SCHOOL OF ART

FULL BUSINESS CASE SUBMISSION TO TEES VALLEY COMBINED AUTHORITY

AUGUST 2019

COMMERCIALLY SENSITIVE INFORMATION REDCATED

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1. Executive Summary

1.1. Introduction

The Northern School of Art is the only specialist provider of post-16 and degree level teaching in the creative sector in the north east of England. It is the pre-eminent provider – a fact endorsed by the Secretary of State for Education when approving our new name in 2018 – with an Outstanding Ofsted rating since 2009 and TEF Gold for its undergraduate teaching. Our FE campus feeds undergraduates to universities across the UK, predominantly to Teesside University and our own HE campus in Hartlepool, with a long-term average of 80% of our leavers going on to study for degrees.

The creative sector is the most vibrant part of the UK economy offering significant opportunities for growth in GVA and employment, recognised in the Tees Valley Strategic Economic Plan (SEP). To enable the School and Tees Valley to make the most of this opportunity we wish to relocate our FE campus to central Middlesbrough, providing teaching space which is fit for purpose now, and future-proofed for an ever-developing industry. Our current campus, dating back to the 1960s, is: inefficient in its use of space; constrained, preventing growth and effective response to future teaching needs; a maintenance liability; and inaccessible by public transport. Relocation will facilitate growth in student numbers from the Tees Valley - as demographics improve through 2030 - and through increased reach outside the area (lacking comparable provision) utilising existing and improved public transport.

The Northern School of Art has begun the process of seeking transfer to the HE sector in 2020 and shortly after that will apply for Degree Awarding Powers (DAPs), key objectives set out in our Strategic Plan for 2019-2024. Ultimately we should be the Tees Valley's second university and the sixth in the north east. This will bring increased visibility for us, making the high standard of our provision more widely-known and generating benefits in both increased UK student recruitment and the prospect of recruiting overseas students. In turn, this will bring significant economic benefit for the area and help to redefine the image of the Tees Valley for inward investors, students, and visitors.

To achieve sector transfer the School must demonstrate its sustainability as an HEI, meeting the financial viability test set by the Office for Students (OfS). Early indications suggest this is more demanding than current Education and Skills Funding Agency (ESFA) financial health criteria, placing new demands on financial performance which would be facilitated by our relocation (reduced operating and maintenance costs, et cetera). The relocation of the FE campus supports not only FE improvement but also wider ambitions for HE development, thus generating significant benefits for the Tees Valley as a whole.

1.2. Strategic Case

Strategic context

The creative sector is growing more rapidly in the north east than any other English region (excluding London) - regional GVA increased by 47% between 2011 and 2017. Nationally the sector has outperformed all other sectors in employment and GVA growth since 1998, continuing to grow during the recession earlier this century. The creative Industries are the third largest economic sector and when the cultural sector is added it becomes the largest with a combined GVA of £131Bn pa. NESTA has shown that jobs in this area are the least likely of any sector to be replaced by automation/AI.

To summarise section 2.1 of this business case this project supports the delivery of the national **Industrial Strategy** - where the creative sector is identified as a priority.

Our proposal directly contributes to the SEP priorities:

- **Business growth** - the School can demonstrate a c.35% business start-up rate for graduates (alongside a talent retention rate of c.70% in the Tees Valley)
- **Education, employment and skills** - in our sectors the SEP predicts a need for 19,700 jobs (additional and replacement) by 2026 we are best placed to cope with plugging this gap.
- **Place and Culture** the SEP states that **Culture "**will contribute to diversifying the economy. It will provide new and varied employment opportunities many of which will be available to young people, boosting the visitor economy and changing external perceptions of potential inward investors and skilled workers, thereby helping to ensure new investment linked to growth sectors and the low carbon economy".

Relocation clearly supports the **Transport Strategy** encouraging modal shift to public transport and acting as a source of new users for enhanced rail routes

Our proposal directly contributes to the **Local Industrial Strategy**:

- **Inclusive growth** - providing long term jobs in a growing and resilient sector

People - providing ongoing and future proofed training for anyone over the age of 16
Place - the existence of The Northern (especially with university status) will enhance the attraction for internal migrants and inward investors
Culture & tourism.

Our existence as a nationally recognised art school, and potentially a specialist university by that date, can only underpin the Tess Valley Cultural Strategy and the bid for City of Culture in 2025.

Our proposal contributes significantly to the regeneration of the TS1 centre of Middlesbrough - discussed in more depth in the associated Economic Case document produced by ERS.

The case for change
The Northern School of Art FE campus is no longer suitable for provision of teaching in the creative sector in the 21st century:

- there is no scope to develop existing buildings to meet the training needs of the creative sector, especially the screen sector meaning that we cannot maximise our offer in this growth sector
- the building does not allow re-configuration to adapt teaching and workshop facilities to meet future needs across the sector

The current site and building configuration mean:

- it lacks the scope for development as it is on a constrained site and
- it lacks the ability to cope with growth in student numbers

The majority of the estate is nearly 60 years old:

- it is past the end of its economic life
- building condition is poor, requiring significant ongoing maintenance
- environmental efficiency is poor

The campus is located in a residential suburb some 2.5-mile distance from the town centre:

- the School hasto fund its own additional bus routes
- students and staff do not use public transport
- the campus is landlocked and brings no additionality to the local economy through staff and student spend

Objectives
Specifically, relocation will enable:

- growth in student numbers

- expansion of our curriculum to meet future needs of the sector and alignment with the SEP growth sectors (digital especially)
- expansion of our curriculum in stage and screen, mirroring our HE offer
- development of a skilled workforce for the growing creative sector
- create a visible part of the cultural branding of the Tees Valley through its gateway location.

It will facilitate:

- Transfer to the HE sector and the subsequent creation of the second Tees Valley based university
- regeneration of Middlesbrough as a central place within the Tees Valley and the digital industries cluster centred on BoHo Our proposal contributes significantly to the regeneration of the TS1 centre of Middlesbrough – discussed in more depth in the associated Economic Case document produced by ERS
- the Tees Valley cultural offer and its associated economic benefits
- our existence as a nationally recognised art school, and potentially a specialist university by that date, can only underpin the Tess Valley Cultural Strategy and the bid for City of Culture in 2025.
- increased public transport use and reduced environmental impact of traffic in a residential area.

The School's trajectory of growth, transfer to the higher education sector and obtaining degree-awarding powers (DAPs) and university title mimics the successful strategies of numerous specialist art and design institutions which, like it, were specialist further education colleges when those institutions gained independence from local authority control to create the further education sector in 1993. Examples are given below:

- Norfolk Institute of Art and Design became a Higher Education Institution (HEI) in 1994 and renamed as Norwich School of Art and Design, was granted degree awarding powers in 2007 and was renamed Norwich University College of the Arts (NUCA). In June 2012 the Government announced that the qualifying threshold required by an institution in order to gain full university status was to be lowered and NUCA thus became a university - Norwich University of the Arts - from January 2013.
- Bournemouth and Poole College of Art changed its name to The Arts Institute at Bournemouth in 1998 and in 2001 became a higher education institution. In 2009 the Arts Institute Bournemouth changed its name to the Arts University College at Bournemouth following the acquisition of taught degree awarding powers in 2008. The Arts University College at Bournemouth became Arts University Bournemouth (AUB) in December 2012.

- Leeds Arts University was known from 1968 to 1993 as Jacob Kramer College, having lost part of its provision to Leeds Polytechnic. It was known as Leeds College of Art and Design from 1993 until 2009, when it became Leeds College of Art. It transferred to the higher education sector in 2011 and gained taught degree awarding powers in 2017. In August 2017 it was granted university status and became Leeds Arts University.
- Plymouth College of Art and Design was renamed in December 2008, and became Plymouth College of Art. It became a higher education institution in 2014 and was awarded taught degree awarding powers (TDAP) in 2019. It is presently consulting on its name change, as a result of having gained the right to university title.

The most significant change for institutions is the granting of university title, which not only raises institutional profile domestically – and hence student recruitment – but acts as a key qualifier in terms of international reputation and therefore student recruitment. In terms of UK undergraduate recruitment Bournemouth, Norwich and Leeds saw art and design undergraduate acceptances increase by 21%, 12% and 24% respectively in the recruitment cycle immediately after they gained university title. This is before taking changes in international recruitment into account, which are more variable, depending as they do upon institutional intentions and readiness. Given the comparable experience of other specialist institutions, The Northern School of Art would expect its UK undergraduate recruitment to increase by c.20% in the first recruitment cycle following university title being granted, in addition to any increases due to expected demographic increases. In addition, The School will shortly explore the possibility of meaningful links with appropriate overseas institutions in Anglophone nations. It is hoped that this will allow an overseas recruitment initiative to be in place by the time that the institution is granted university title. This would allow further institutional growth, and also additional economic benefit for the Tees Valley.

1.3. Economic case

Options and Findings

The School has conducted an options appraisal in four stages:

- An initial assessment of 'Do Nothing', 'Refurbish existing' or 'Relocate' - this clearly favoured.
- A desk top analysis of 'travel to learn times' on various central locations across the five boroughs - which clearly demonstrated that Middlesbrough is the most favourable for accessibility and maintain student numbers
- Cushman Wakefield were commissioned to review property options in Middlesbrough which arrived at a preferred option of Denmark Street. Some months later an opportunity arose to explore alternate sites at the

Durham University Queens Campus in Stockton - these were explored for cost, suitability and travel to learn impacts and rejected (see detail in following sections)
- Finally, ERS conducted an economic appraisal which concludes that there is a positive benefit cost ratio for relocation and significant disbenefits should the School not relocate and, eventually cease operating.

Preferred way forward

Our options appraisal and economic assessment clearly indicate that the preferred option is for the School to relocate to a new build facility on the Denmark Street site in Middlesbrough:

- the costs and operational impacts associated with refurbishment rule out other options
- central Middlesbrough secures our accessibility for current and future students extending our reach effectively without impacting on our current catchment in the Tees Valley
- the Denmark Street location is the most appropriate and cost-effective location within Middlesbrough
- in economic terms central Middlesbrough offers direct benefits resulting in a BCR of 1:1.71 and a broader BCR of 1:6.24 taking account of the wider positive impact of the school on the Tees Valley economy.

1.4. Recommendation

Our needs, options and economic assessments all show that relocation of The Northern School of Art to a new build “gateway” site on Denmark Street in Middlesbrough is the right solution to a set of problems presented by the current campus. Moreover, they demonstrate that this relocation will bring significant current and potential economic benefits to the region. The option to do nothing would severely impact on the regional economy and skills position.

In conclusion we seek approval for grant funding of £14.5m (with £7.25m as a contingent grant). The basis for contingent grant is to be finalised but is anticipated to relate to some form of contribution from future surpluses.

2. The Strategic case

2.1. Strategic Fit - national, regional and local

At a national level the project supports the delivery of the national **Industrial Strategy** which identifies the creative sector as a priority for growth - building a skilled workforce in an identified growth sector. The government commissioned Bazalgette Independent Review of the Creative Industries (2017) clearly demonstrated the significance of the sector, its growth potential, the need for more creative sector jobs outside the south east supported by skills development, and the need for the sector to be inclusive in its employment. It is worth noting that as the School is not an HEI we were unable to apply for significant funding as part of the Creative Clusters programme which is part of the Industrial Strategy and a key recommendation of the Bazalgette Review.

Our proposal directly contributes to the SEP priorities:

Business growth - it is a sector dominated by micro/SME and our students demonstrate a c35% business start-up rate (alongside a talent retention rate of c70% in the Tees Valley)

Education, employment and skills - in our sectors the SEP predicts a need for 19,700 jobs (additional and replacement) in our sector by 2026 we are best placed to cope with plugging this gap. 4140 of the additional jobs in our sectors are qualified to Level 3+, our excellent record for achievement and progression mean that we will make a significant contribution to this (alongside those focussed upon digital coding - areas where our design skills are complementary, not competing.

Place and Culture are covered below (LIS) but it is worth noting that the SEP states that **Culture "**will contribute to diversifying the economy. It will provide new and varied employment opportunities many of which will be available to young people, boosting the visitor economy and changing external perceptions of potential inward investors and skilled workers, thereby helping to ensure new investment linked to growth sectors and the low carbon economy".

Relocation clearly supports the **Transport Strategy** encouraging modal shift to public transport and acting as a source of new users for enhanced rail routes

Our proposal directly contributes to the **Local Industrial Strategy**:

Inclusive growth - providing long term jobs in a growing and resilient sector

People - providing ongoing and future proofed training for anyone over the age of 16 - BIS research published in 2011 shows that Level 3

qualifications such as those we provide generates an 11% the wage premium generating £94k GVA per student (NPV 2008/9 prices)
Place - the existence of The Northern as a pre-eminent art school, working with its community, helps to define the image of the region. Its existence (especially with university status) will enhance the attraction for internal migrants and inward investors
Culture & tourism - generating new businesses in the sector, skills to work in the sector and continuing to provide and support events and attractions such as the Northern Festival of Illustration which has now attracted more than 100,000 visitors - many of them from outside the region.

The project underpins the Tees Valley Cultural Strategy. The Tees Valley intends to bid for City of Culture status in 2025, The School has played a significant role in supporting and developing this since 2013 - our existence as a nationally recognised art school, and potentially a specialist university by that date, can only enhance our prospects for success and in any event our ongoing work to support younger people and community based projects (through free art teaching, training for teachers and careers advisers, etc.) will remain an essential element of the cultural scene across all five boroughs.

Our proposal contributes significantly to the regeneration of the TS1 centre of Middlesbrough - discussed in more depth in the associated Economic Case document produced by ERS.

More detail of the Strategic Fit is given in *The Northern School of Art Relocation: Economic Case, ERS, June 2019 on page 23, s. 5.*

2.2. Assessment of Need

Table 2.1 SWOT

STRENGTHS	WEAKNESSES
• Specialist provision • Key Tees Valley asset • FE Ofsted Outstanding • 80% of FE students go on to HE • TEF Gold for HE • Best graduate employability in north east • Best graduate satisfaction in North of England • Industry links • HE growth • ESFA Good financial rating	• FE campus condition • Inability to reconfigure FE buildings for future teaching needs • FE Campus unable to accommodate student growth • Dependence on bought-in transport for students • Inability to align FE teaching in stage and screen sectors with our HE provision
OPPORTUNITIES	**THREATS**
• Demographic growth up to 2030 • HE sector transfer and university status • Growth of creative and cultural sectors (value and employment) • Strategic alignment • 70% graduate retention in TV (80% in NE) • HEI funding opportunities • Development of Green Lane site • Improved public transport and student recruitment outside TV • Creation of The Northern Studios in Hartlepool	• Augar review of HE funding and possible revenue loss • Location of FE campus - poor accessibility • Failure to secure funding for relocation • Continuing cash standstill funding for FE • Demographic growth does not translate into increased student numbers • HE market is the most challenging ever (across all subject areas) • FE competition is fierce given government's real terms reductions on funding over the past 6 years. • Inability to secure University status

The problem:

The Northern School of Art FE campus is not suitable for provision of teaching in the creative sector in the 21st century, it lacks the scope for development as it is on a constrained site and furthermore it lacks the ability to cope with growth in student numbers - the number of 16 year olds in the region is predicted to grow by 17.3% by 2024 (ONS projection) and further significant demographic growth is expected past 2030. The Northern School of Art has a leading position in Stage and Screen teaching at undergraduate level and our development of The Northern Studios, alongside the TVCA Tees Valley Screen initiative, show that we are all serious about placing this rapid growth sub-sector at the heart of the region's economic future, however we cannot mirror our HE provision in the current campus.
The campus has evolved in a piecemeal fashion over the last 50 years, meaning that internal spaces are not configured to meet the needs of the School and has involved many compromises along the way. Although we have continued to invest in the estate, most of the investment has been to maintain the buildings rather than improve the condition, life of the asset or learning environment. The infrastructure is now almost 60 years old and has reached the end of its economic life. The project will enable the School to be housed in more flexible, environmentally friendly and efficient accommodation more in tune with a 21st century learning establishment.
All other colleges in the area have received significant capital investment meaning that the quality of the School's estate is the worst in the Tees Valley. Almost 90% of the estate remains in the lowest two conditions (Category III: Less than ideal for the requirements; Category IV: Use with extreme difficulty/not suitable). Without major investment the condition of the estate will continue to deteriorate to the point whereby major investment will have to take place to rectify health and safety concerns (such spending would inevitably come at the expense of investment in our teaching and student experience with consequent quality and reputational risks).

Furthermore, the campus location in Acklam/Linthorpe - a residential suburb poorly served by public transport - means that the School has to make significant efforts to bus in students with 9 subsidised bus routes reaching across the Tees Valley into County Durham and North Yorkshire. These traffic movements together with staff travel could be significantly reduced with a modal shift to existing (and future) public transport benefiting the environment and sustainability of public transport links. This location - distant from amenities and shopping - also means that the local economy misses the potential benefit of spend by staff and c.500 students.

The impact:
The Northern School of Art is on the path to transfer to the HE sector and becoming the second university in the Tees valley within the next 6 years - bringing significant benefit to the region. Sector transfer, the first

stage of this journey depends on the quality of our provision, our governance and management and financial viability. The outstanding quality of our provision in both Middlesbrough and Hartlepool and our robust governance mean that the biggest threat to transfer is the ongoing liability posed by the Middlesbrough campus and its potential impact on future financial viability. Becoming an HEI, and University, will mean greater access to innovation and other forms of funding (such as the Creative Clusters programme and successors) that will bring wider benefits to the Tees Valley - economic and reputational.

Competition in the sector is at unparalleled levels as both the FE and HE markets compete for student numbers. This is compounded by a drop in the number of students aged 16-18 nationally which is not forecast to start improving until 2020/21 at the earliest and will take time to trickle through to the HE sector. As a result, both FE and HE institutions are competing against each other for a declining student population which in turn is seeing students looking more closely at the quality of education provision and the resources that are available to them as students. The ability to invest in equipment and student experience is increasingly under the spotlight, as opposed to maintenance of buildings in poor condition for little return, which is becoming increasingly important for the strategic aspirations of the School. The OFS has publicly recognised this and written to all HEIs urging caution as the national position shows institutions planning overall growth in a period of decline in student population in the UK. (OFS report, Financial sustainability of higher education providers in England - April 2019 - Figure 8, page 18). The result of which has led to increased investment by both sectors in equipment and resources to both entice students and to attempt to keep teaching at the forefront of technological advances in the subject areas in which they are teaching. A recent report from KPMG for the OFS in May 2019 recommends that institutions should be targeting 10% of costs to be allocated as a 'margin for sustainability and investment'. The purpose of this is to maintain financial sustainability and enable the provider to accumulate reserves for investment in its land, buildings, equipment and other investments over the longer term (OFS / KPMG report: Understanding costs of undergraduate provision in higher education - May 2019 - table 8, page 90).

This mirrors the position in the FE sector where there is cross-party acknowledgement at Westminster that the funding position for the FE sector has been in decline over the past decade and is in danger of leading to significant solvency issues in the sector. With a new insolvency regime in place for FE Colleges the risk of closure or forced merger is real as demonstrated by the cases of Hadlow College and West Kent & Ashford

College this year where both have become insolvent and been placed in administration by the High Court at the request of the ESFA.

If we are not able to relocate our ability to sustain FE provision will be compromised. We will become less and less attractive to students as our current Middlesbrough building does not allow us to update facilities for teaching existing and new subjects. Given our specialised nature and range of provision and the exceptional quality of teaching and outcomes comparable alternative provision does not exist (see *The Northern School of Art Relocation: Economic Case, ERS, June 2019* s.2.12 which illustrates that the School is both pre-eminent in terms of results and that no other institution has comparable syllabus). If this comes to pass the School ceases to operate then there will be a significant loss of opportunity for students and the ability of the Tees Valley to grasp the opportunities presented by the growing creative economy.

In turn should our FE provision wither then this will have an impact on the viability of our HE provision in Hartlepool as some 30% of students there have previously studied in Middlesbrough. It would also impact to a lesser extent on the supply of students to Teesside University, another key destination for students leaving our FE provision. We have modelled the impact of three scenarios on FE student numbers and numbers transferring to our HE - set out in the table below.

The three scenarios are:

1. Best case - we see the full 2% pa demographic growth and 5% loss in first year FE students due to decline in attractiveness of facilities, and
2. Middle case - we see the full 2% pa demographic growth but suffer 15% loss in first year FE students due to decline in attractiveness of facilities and curriculum offer,
3. Worst case - where we do not gain any demographic benefit and still suffer attrition at 15%

Table 2.2 Student Number Scenarios ***(The details of Table 2.2 Student Number Scenarios are in Appendix D Commercially Sensitive Information 1).***

Scenarios 2 and 3 clearly show that by 2027 our FE provision would have withered to an unviable student population and that the loss of revenue associated with fewer HE students would be between £0.925m and £1.017m. It should be noted that in both scenarios the School would breach its banking covenants and our ESFA 'Good' financial health rating would be lost (resulting in government intervention) in the next 3-5 years. In both scenarios the School would cease to operate. Even in the best case we see a 12% decline in students transferring and a consequent significant impact on revenue.

The outstanding quality of our FE and HE provision is dependent upon our intensive specialist teaching models. Any negative revenue impacts would of necessity cause us to review our teaching models, compromising quality of learning and student experience. In essence it would dilute the value of our brand to us, and the Tees Valley.

Impact of future School growth within the region

Unfortunately, there is little publicly-available definitive evidence regarding the beneficial economic impact of relatively small, specialist art and design institutions. The available examples are set out here.

The Northern School of Art (then Cleveland College of Art & Design) was cited as a case study example (along with Plymouth College of Art, the Arts University Bournemouth and Norwich University of the Arts) in the 2016 report The Economic Value of Creative Focused Universities and Colleges which was prepared by the economic consultancy Emsi, specialists in economic impact analysis for universities and colleges. Without quantifying the economic impact, examples appear in the report which have relevance to this business case.

The Emsi report cites the collaboration between Framestore and the Arts University Bournemouth (AUB). Framestore is the largest of the European post-production companies, with a significant involvement in feature films. The company approached the Arts University Bournemouth some years ago having identified the quality of graduates from AUB animation and film programmes and the number recruited to employment with Framestore. This subsequently led to a formal agreement whereby Framestore established a satellite operation on the AUB campus taking AUB graduates on 12 to 18 month paid internships and engaging in course development and professional delivery of undergraduate / postgraduate courses. By 2016 this relationship was in its fifth year, having provided opportunities for more than 100 students some of whom claimed credits on the Oscar winning film ‘Gravity’. In collaboration with Framestore, AUB introduced a dedicated VFX undergraduate programme in 2015. In every respect this has been a successful model of industry/university collaboration and one very tuned to the employment agenda and professional progression of graduates. Clearly there are parallel opportunities for The Northern School of Art based around the potential development of The Northern Studios. The School already has a suite of screen-based industry related undergraduate programmes, including degrees in TV/Film, costume, set design, visual effects and model-making which have strong and developing links with employers in the industry. Once established, The Northern Studios should become a hub for specialist screen-based companies in the north east, and similar opportunities for cooperation should emerge, boosting the Tees Valley economy. This will also enable The School to positively differentiate its offer from that of other specialist providers, as it will be unique in having a fully-functioning commercial TV/film studio on its campus, with the opportunity for reputational enhancement and growth in student recruitment.

The Emsi report also highlights the economic value of overseas students, a development that would be enabled for The Northern School of Art by gaining university title, itself facilitated by the FE campus development which would remove potential sustainability concerns and improve the level of ‘flow through’ of FE students to its undergraduate provision. The School’s view, based upon discussions with senior staff in several institutions that have gained university title in the last decade, is that because of the international strength and reputation of UK higher education, acquiring university title results in a very significant increase in profile internationally. UK institutions receive unsolicited approaches from overseas higher education institutions wishing to become potential international partners. In 2017, the then Chief Executive of the Higher Education Funding Council for England (Hefce), Professor (now Dame) Madeleine Atkins urged The School to seek to develop international partners in the USA in the expectation that The School would obtain university title and that this would be a fruitful development opportunity.

The local impact of specialist higher education is also considered in the 2010 report by Universities UK (UUK) Creating Prosperity: the role of higher education in driving the UK’s creative economy. This also includes a case study from AUB, where a relatively small-scale enterprise initiative had already supported the creation of new creative businesses delivering £3.84 million of Gross Value Added (GVA) to the local economy. The report also highlighted a range of other ways in which universities across the UK are contributing to the growth of the creative economy. These include:

- anchoring regional clusters through the attraction and retention of academic, graduate and business talent

- engaging significant industry players and facilitating connections with creative SMEs, creating new routes to major market opportunities
- building international reputation and credibility in ways that both enhance the UK's reputation but also deliver direct benefit to regional creative businesses
- supporting active networks and bringing together business, academic and public-sector partners

The report also notes that "many of these impacts are the result of the scale, credibility and international standing both of individual institutions and of the UK's higher education system as a whole. Combined with the global standing of the UK's creative economy, this must be a powerful force for growth."

Whilst this report refers to universities acting to anchor regional clusters, a recent report Inclusive Future Growth in England's Cities and Regions contrasts the beneficial role and impact of smaller higher education institutions – in this case Plymouth College of Art – with more traditional 'anchor' role of established civic universities. In an approach that the authors – who include Professor David Marlow of the Centre for Urban and Regional Development Studies at Newcastle University – term the 'Plymouth Provocation' they highlight the importance of new institutions in areas that require transformation and disruptive change. There is clearly the potential for The School to undertake such a role in Hartlepool and the wider Tees Valley if it completed its journey to university title. The School would see its role as being very different from, yet complementary to, that of Teesside University. The ability of The Northern School of Art to positively influence economic development and growth in the Tees Valley in ways similar to those set out above already being undertaken by similar specialist institutions is heavily dependent upon its ability to become a higher education institution and, critically, to gain university title. Gaining title is dependent upon being granted taught degree awarding powers (TDAP) in perpetuity. The School plans to be in a position to apply for TDAP in 2020. It has already begun the process of applying to transfer to the higher education sector. The latter step requires The School to satisfy the Office for Students that it meets necessary conditions in terms of financial viability and sustainability, which appear to exceed the requirements placed on further education colleges by the Education and Skills Funding Agency (ESFA). This issue is considered further at Section 5.2, and is relevant to The School's need to maintain its financial health and therefore its limited ability to make early contributions to project costs, beyond the sale proceeds of its existing FE campus.

2.3. Strategic Fit - economic context

Creative Cultural & Digital (CCD) - Economic significance

The creative sector has grown in value and employment since it was first defined in 1998. In the five years up to 2017 the sector in the north east grew faster than anywhere else in England apart from London (47% growth by value). The sector has grown faster than the UK economy since 1998 - the creative industries employ 1 in 11 people in the English workforce and are predicted to need an additional 900,000 graduates by 2022 (UKCES). The Creative Economy now employs 12.7% of all people employed in the UK - 3.2 million jobs.

The CCD economic contribution is collectively the largest of all industrial sectors at £261.5 billion. The comparison is stark:

- Construction = £110Bn
- Motor = £21.5Bn
- Financial services = £119Bn
- Pharma = £2.3Bn
- **Creative Industries = £101.5Bn**
- **Cultural = £29.5Bn**
- Digital = £130.5Bn

(All data is sourced from DCMS/ONS and refers to 2017 GDP and employment)

Creative Industries

The Creative Industries contributed £101.5bn to the UK economy in 2017, accounting for 5.5% of UK GVA.

Between 2010 and 2017, the Creative Industries GVA increased by 53.1% (£66.3bn in 2010). This was the fastest growth among the DCMS sectors, and an increase nearly twice as fast as the UK economy (28.7% increase in the UK between 2010 and 2017). There has been 28.6% growth in employment since 2011, totalling 2.04 million jobs

Cultural Sector

The Cultural Sector contributed £29.5bn to the UK economy in 2017 and accounted for 1.6% of UK GVA. The contribution of the Cultural Sector increased by 7.2% between 2016 and 2017, and by 38.5% since 2010. Over three fifths (60.2%) of the Cultural Sector GVA was in the ‘Film, TV and music’ sub-sector (contributing £17.8bn in 2017), where GVA increased by 9.4% between 2016 and 2017, and 39.0% since 2010. Nearly a quarter (24.8%) of Cultural Sector GVA was accounted for by the ‘Arts’ sub-sector. This sub-sector has increased by 62.6% since 2010, from £4.5bn in 2010 to £7.3bn in 2017 and increased by 6.2% since 2016 (£6.9bn in 2016). There has been 23.6% growth in employment since 2011 in the cultural sector.

2.4. Investment objectives

Specifically, relocation will achieve the objectives set out below:

No	Objective	Targets and milestones
1	Growth in FE student numbers	730 FE students by September 2027 (the baseline is c 500 reflecting our audited 2017/18 student numbers)
2	Expansion of our curriculum in stage and screen, mirroring our HE offer	From 2023 our FE curriculum has expanded to provide additional subjects (we have already commenced a review of the offer which would include film and TV production, Acting and performing arts – exact new courses would depend on market conditions and industry developments)
3	Transfer to the HE sector and the subsequent creation of the second Tees Valley based university	Sector transfer is complete by December 2020 (subject to DfE and OFS agreeing relevant criteria) Degree Awarding Powers achieved by end 2021 DAPs in perpetuity achieved by 2024 University College status granted in 2024
4	Creation of a new 'gateway' campus	Practical completion by June 2021 (or May 2022 if timetable slips further)
5	Growth in HE student numbers	Year on year growth better than demographic growth at The School. We would seek to maintain 55% HE students as a minimum Increased numbers of 18-year-old HE entrants from the Tees Valley (in relevant Creative, Cultural, and Digital subjects) a natural result of FE growth as we aim to at least maintain our internal FE-HE progression rate of 30% of HE students

Table 2.3

2.5. Main benefits

No	Benefit
1	Development of a skilled workforce for the growing creative sector
2	The Tees Valley cultural offer and its associated economic benefits
3	Growth of cultural creative and digital businesses
4	Regeneration of Middlesbrough as a central place within the Tees Valley
5	Increased public transport use and reduced environmental impact of traffic in a residential area.

Table 2.4

2.6. Main risks

No	Risk
1	Sustainability
2	Unable to invest in equipment and student experience to attract students
3	Unable to successfully transfer into HE sector and become a University over time
4	Drop in academic standards as resources are not available
5	Risk of intervention by ESFA as academic and financial position declines

Table 2.5

2.7. The need for public investment

There is now no national capital fund for FE, following the demise of the skills Funding Agency and government's expectation is that capital funds will be made available, as appropriate and justifiable, by LEPs or devolved authorities. The size of investment required for a project of this nature would also need public intervention, as demonstrated by the other FE Colleges in the Tees Valley which have all benefited from new campuses. Unfortunately, the funding that was earmarked for the School by the then LSC in 2008 was withdrawn when Government called a halt to the Building Colleges for the Future programme. In response, the School invested £2.2m in the purchase of buildings from Hartlepool Borough Council to meet its immediate needs without any external support. This contrasts with the substantial support that all the other Tees Valley FE colleges received for the construction of new purpose-built campuses. Hence the School has been relatively disadvantaged for many years.

The School currently has borrowing of £1.5m from Hartlepool Borough Council and £1.8m from Barclays Bank. Additional lending would lead to concerns being raised by the ESFA as borrowing levels would breach banking covenants, which are conditions stipulated by the bank loan to ensure that the School can repay its debts, which would trigger intervention by the FE Commissioner and would impact on financial health rating. This would lead to a drop in the Good financial status of the School by the ESFA. Additionally, Barclays Bank would not allow any further borrowing as it would erode the operational gearing ratio that is part of the banking covenants on that part of the School's debt.

In addition, whilst the project will facilitate an increase in student capacity, the additional income generated will be needed to re-invest in equipment as the School is operating in a competitive environment where being at the forefront of technology in our field requires continuous investment.

2.8. Constraints

The key constraint upon the project is timescale. Any delay of practical completion and handover past spring 2021 has the following implications:

- Inability to progress transfer to the HE sector and subsequent move to university status - this is time bound because the current coeval positive performance data and student numbers.
- Inability of the School to introduce new curriculum provision in the stage and screen sectors to enable progression to HE studies in Hartlepool and subsequent development of creative cluster centred upon The Northern Studios.
- Inability of the School to meet demographic growth in demand

2.9 Dependencies

There are no specific dependencies outside the threats cited in the SWOT analysis. Two key threats present which are outside the agency of the School:

- Regeneration of TS1 stalls and potential benefits around business creation and investment cannot be realised
- Planned improvement to public transport infrastructure and routes does not happen

3. The Economic Case

3.1 Introduction

This project has been in development for several years and has developed through the following stages:

- Options appraisal - see 3.3- 3.7 below
- Economic appraisal of the preferred option 3.8 et seq below

3.2 Critical success factors

The School has identified five Critical Success Factors (CSF) which underpin the business case and options appraisal. The five CSFs are detailed below.

No	Critical Success Factor	Measurement Criteria	Importance (1-5)
CSF1:	Sustainable growth of the Northern School of Art	Student numbers - rising from c.500 to 730 by September 2027.	1
CSF2:	Increased alignment of the curriculum to the Tees Valley Growth Areas of screen/digital/game industries	New curriculum offer by September 2022.	1
CSF3:	Support and grow the supply of skilled individuals entering the creative sector	Numbers annually at Level 3 and Level 6 rising.	1
CSF4:	Support central place/key city regeneration (baseline and measures to be agreed with MBC)	through: increased footfall; improved positive business sentiment; businesses sustained; increased commercial investment in the vicinity	2
CSF5:	The new location and building must be visible, accessible and of a suitable specification for effective and future proofed delivery of teaching in creative industry disciplines.	Through options appraisal, design and planning	1

Table 3.1

3.3 Options Appraisal

The School has conducted an options appraisal in four stages:

- Firstly, an initial scoping of options around ‘Do Nothing’, ‘Refurbish existing’ or ‘Relocate’ - this clearly favoured relocation in terms of cost and operational impact on the School.
- Secondly we conducted a desk top analysis of ‘travel to learn times’ on various central locations across the five boroughs - which clearly demonstrated that Middlesbrough is the most favourable for accessibility and maintain student numbers
- Thirdly we commissioned Cushman Wakefield to review property options in Middlesbrough which identified a long list of potential properties and sites, a shortlist and then a preferred option of Denmark Street. Some months later an opportunity arose to explore alternate sites at the Durham University Queens Campus in Stockton - these were explored for cost, suitability and travel to learn impacts and rejected (see detail in following sections)
- Finally, we conducted and economic appraisal which reviewed the earlier stages and also looked at the impact of the counter-factual position of the School ceasing FE provision. This concludes that there is a positive benefit cost ratio for the simple relocation and its direct benefits but very significant disbenefits should the School not relocate and, eventually cease operating.

3.4 Initial Scoping

We considered the following scenarios.

Do Nothing

This is not considered to be an option because the age and condition of the building means that the School must continue investing in some form as it is reaching the end of its economic life. The condition of the facilities, not just the building fabric, will continue to deteriorate and fall behind those of other Schools in the area. Internally, many teaching, and support spaces do not support the needs of students and current methods of academic delivery. This will not be addressed if the School simply continues to invest modest amounts into routine maintenance.

Refurbishment of the existing buildings

This option is not considered the most appropriate solution. Whilst the overall condition of the building stock is poor, the actual main structure of the buildings is fine. Therefore, a comprehensive refurbishment programme would not provide the School with up to date and flexible facilities as the current space needs reconfiguring to allow for more flexible space and the current configuration already compromises delivery in many areas. Replacement of existing single glazed windows, roofs and services infrastructure would ensure that the refurbished facilities would be energy efficient, helping the School reduce premises running costs and maintenance liabilities and comply with current Building Regulations

However, it is not a value for money option when compared to a new build scenario.

The School has considered this option several times and each time has concluded that this is an option that, whilst helping with the longevity of the structure of the building, does not address the issue of the shape and flexibility of the space required to deliver art and design in the 21st century. The building has grown piecemeal since the 1960s and comprises accommodation of all sorts of shapes and sizes. Whilst it contributes to our 'art school look and feel' it is not an option for the long-term development of the School. For the School to deliver more efficiently and productively the lack of flexible and larger spaces is a considerable barrier to delivery. Being able to create subject area adjacencies would mean better use of resources and studio space which cannot be accommodated in the current building. Being able to host certain courses together is crucial in the art and design sector as there are many areas of overlap in teaching and resourcing which can benefit the students learning experience and the efficiency of delivery within the School.

Cost estimates vary from £1,900 per square meter for a basic refurbishment to £2,500 per square meter, leading to overall costs of between £11.4m and £15.0m, **excluding** decant and temporary accommodation costs. These figures include VAT as there is no recovery available on refurbishment projects for buildings.

Replacement of the existing building with a new facility in central Middlesbrough

The advantage of this option is that it enables the School to create a facility that is both flexible and modern which will enable us to develop with the sector needs for the provision of art and design education. This cannot be offered by a refurbishment option without demolishing and rebuilding parts of the current campus building. This option would have the advantage of minimising disruption because the new facilities would be constructed in parallel to the existing facilities being used.

The opportunity to locate at a centre of town location offers the School the ability to become more visible and become better known across the region.

Despite repeated attempts to increase the School's profile over the years its location in Linthorpe has meant we remain one of the sectors' best kept secrets. A prominent location in a premier development will add to the recognition of the School and assist in recruitment with the proximity to local transport infrastructure.

Replace the existing building on the current site

This option would cause considerable disruption to the existing provision and it is unlikely that the existing Green Lane Campus possesses the capacity to accommodate a comprehensive new build programme. The estimated capital cost of this option would also be prohibitive with no disposal proceeds to contribute towards the funding of the project. The cost of renting temporary accommodation would add considerably to the costs of the project, lead to a drop in recruitment over the construction period which would cause considerable financial distress for the School. As a result, this option is considered both expensive and impractical.

Utilise other FE buildings in the Tees Valley

This option was considered, at the suggestion of Middlesbrough College at the time of the Local Area Review, with a particular emphasis as to whether the facilities at Redcar & Cleveland College would provide a solution to the issue. The conclusion was that the length of time it would take students to travel to a site a few miles to the east would lead to a reduction in student numbers. As a specialist provider, The School currently recruits from County Durham and North Yorkshire with bus routes coming in from Sedgefield and Northallerton as well as large numbers of students coming from the west from Stockton-On-Tees. Approximately two-thirds of students would see increased journey times which would likely lead to a fall in student recruitment and potentially disrupt the sustainability of the School. This option has in any event been overtaken by the merger of R&C FEC with Stockton Riverside.

3.5 Travel to Learn

Once a new location had been identified as the appropriate way forward we conducted a desktop analysis of travel to learn times using the Travel Time App as recommended by TVCA.

We assessed the potential impact on FE student numbers of a number of central locations within the Tees Valley on the basis of a 30-minute journey time contour (for journeys arriving at each location by 9am). This contour was compared with post code data for our FE students to give a comparison of relative accessibility and the potential impact on student numbers (and thereby financial viability). The full detail of this is given in The *Northern*

School of Art Relocation: Economic Case, ERS, June 2019 on pages 12 - 19 ss. 3.9 to 3.14.

Table 3.2 Travel to Learn Time Student Numbers *(The details of Table 3.2 Travel to Learn Time Student Numbers are in Appendix D Commercially Sensitive Information 2).*

This analysis clearly demonstrates that the best option in terms of access is central Middlesbrough. In reviewing the analysis ERS conclude that the analysis "reinforces the negative impact of locating anywhere other than central Middlesbrough. The difference between Middlesbrough and Stockton is smaller than the gap with other areas, however it is still a significant number in terms of revenue for The School". 48 students represent a potential revenue loss of c.£200,000 per annum.

To this it should be added that central Middlesbrough is the best location for ensuring access to opportunity for the young people of the Tees Valley.

3.6 Property Search and Options Appraisal

A full property search and appraisal was carried out by Cushman Wakefield - *Land and Property Search and Options Appraisal, Cushman Wakefield, September 2018.* This work identified a long list of potential sites (both for new build and refurbishment of existing buildings). This work followed the following methodology:

Task 1 - Inception Meeting

Task 2 - Desk based site search and initial discussions

Task 3 - Site visits and town centre walkaround

Task 4 - Long list site options development and appraisal against agreed criteria

Task 5 - Development of shortlist and preferred option

A long list of 23 potential site options (the details of which are in Appendix 1 to *Land and Property Search and Options Appraisal, Cushman Wakefield, September 2018)* was assessed against the site requirements criteria and appraised in accordance with the "RAG rating" red, amber and green in terms of their appropriateness as a site for the new campus for The Northern School of Art. The appraisal considered such factors as ownership, planning status, etc. and used the following site requirement criteria:

- A minimum of circa 5,400 sq. m Gross Internal Area (GIA) floorspace plus potential space for expansion
- 60 car parking spaces on site for senior staff and visitors, or access to parking nearby
- Walking distance of public transport (bus and train)

- Deliverability within the required timescales (opening September 2022)
- Distinctive location away from competing establishments
- No requirement for on-site sports provision
- Within the town centre of Middlesbrough

Three site options were shortlisted:
- Denmark Street
- Two adjacent sites to the rear (north) of BoHo (Middlehaven)

Cushman and Wakefield made the following conclusion identifying a preferred option:

> "4.3 The shortlisted sites are all easily accessible from the bus and railway stations. The Middlehaven sites are closer to the railway station, whilst the Denmark Street site is closer to the bus station. However, for practical purposes there is limited distinction between the locations in terms of proximity to transport termini.
>
> 4.4 Middlesbrough Council has confirmed that the sites are within its ownership, they are capable of being made available within similar timescales and there is unlikely to be a significant differentiation in the purchase price; although the purchase price is to be confirmed through a Red Book valuation. The Red Book Valuation will form the basis for negotiations between the parties. The Northern School of Art campus could deliver economic benefits because of significant footfall generated within the town centre.
>
> 4.5 All the shortlisted sites are capable of accommodating potential expansion space over and above the required 5,400 sq. m GIA. The Council has considerable land holdings in Middlehaven, and the Denmark Street site is capable of being developed at a higher density given its location (potential for up to 8-9 storeys has been indicated by the Council, albeit this needs to be subject to feasibility / cost assessment). In terms of visibility, the Denmark Street site is by far superior at the current time and is therefore considered to be the strongest of the three shortlisted site locations.
>
> 4.6 **Based on the site criteria and subsequent discussions with The Northern School of Art, and Middlesbrough Council, we recommend that the Denmark Street site (Site 18) is progressed as the preferred option**; with land at Middlehaven (Sites 2/2a and 3) as strong reserves"

Page 12, Land and Property Search and Options Appraisal, Cushman Wakefield, September 2018

Stockton, Queens Campus
The opportunity to explore the refurbishment of the Queens campus buildings arose after the property search was completed. The 3 buildings were assessed against the following criteria:

- Travel to learn impact
- Acquisition costs
- Space requirement
- Indicative refurbishment costs (to new build standards)

All the buildings met the space requirement (with one needing some additional new build). The campus was not as favourably placed as Middlesbrough for student accessibility - see 3.5 above. Acquisition and refurbishment costs for all of the buildings were at best comparable with the cost of new build in Middlesbrough - given the travel to learn position, queens Campus was rejected as an option.

3.7 Economic case appraisal

The full economic case is presented in *The Northern School of Art Relocation: Economic Case, ERS, June 2019*. This took forward an analysis of the preferred option of relocation to Denmark Street whilst exploring the impact of a counterfactual position with the School closing (see 3.1 above). The economic impact is given in detail in s.6 page 30 of the ERS report. The methodology they employed is set out in detail but can be summarised as and assessment of

- Construction impact
- Operational impact
- Staff and student spending in the local economy

Construction benefits is a straightforward analysis whereas 'Operational' include the FE and HE benefits (to explore the counterfactual scenario of closure).

An optimism bias has been built in to the analysis - 5% for construction benefits and 10% for operational and spend related impacts.

The findings of the economic assessment are best summarised in s.7 of the report, this is summarised below:

Total benefits to 2040/41		
	GVA	**FTE Job years**
Construction	£ 4.3m.	59.2
Operations FE (Created)	£ 17.4m.	355.5
Staff and students FE (Created)	£ 3.1m.	113.6
Total Created	***£24.8m.***	***528.3***
Operations FE (Safeguarded)	£ 55.4m.	875.6

Operations HE (Safeguarded)	£ 46.0m.	1086.4
Staff and students (sustained FE)	£ 0.7m.	14.1
Staff and students (sustained HE)	£ 15.4m.	571.6
Total Sustained	***£ 117.6m.***	***2,547.6***
Grand Total	**£ 142.4m.**	**3,075.9**

Table 3.3

Construction benefits: The new build and demolition of the existing site will create gross impacts of 84 temporary construction jobs. In net terms this represents £4.3 million GVA or 59.2 jobs.

Operational benefits: Present Further Education operations represent net benefits to Tees Valley of £3.3 million GVA and 43.8 FTE jobs, representing safeguarded benefits. Were Higher Education operations at Hartlepool to close then there would be further safeguarded benefits of £2.9million GVA and 57.2 jobs. Post-development benefits will be larger in scale, with greater additionality, such that £1.0 million GVA and 17.8 FTEs will be created.

Staff and student spending: Moving from a more peripheral location to the Town Centre and drawing in a higher proportion of non-local students will create additional benefits of £187,000 GVA and 5.7 FTE jobs per annum, while safeguarding £45,000 GVA and 1.4 FTE jobs in Middlesbrough and a further £989,000 GVA and 30.1 FTE jobs in Hartlepool.

The Table above shows newly created net benefits for the Tees Valley economy of £24.8 million GVA and 520 job years. **Set in the context of the 14.5 million investment this produces a BCR of 1.71**.
The counterfactual position, where closure of both FE and HE occurred would represent total net impacts for Tees Valley of £142 million GVA up to 2040/41. Since the HE activity in Hartlepool was supported by an earlier investment of £8.3 million from TVCA this amount is added to this projects cost arrive at a **BCR of 6.24**.

4. The Commercial case

Please refer to 'Procurement Strategy Review' cited in the appendices

4.1 Introduction and Procurement Strategy

At this point in the project the Design Team, Quantity Surveyors and Project Manager have been appointed for the duration of the project. This was through a competitive tender process which was conducted by the School in conjunction with its advisors Fusion PM Limited

The remaining elements of construction on the project are two-fold

- Construction
  Appointment of a building contractor to arrange the construction of the building. This will involve creating a supply chain with which to conduct the works
- Furniture
  The School will conduct its own tendering exercise to source loose furniture via a competitive process through their retained procurement consultants Tenet Services
- Equipment
  The School will conduct its own tendering exercise to source any new equipment via a competitive process through their retained procurement consultants Tenet Services

4.2 Key contractual terms & risk allocation

The Design Team have been appointed on the basis of % of construction costs which is industry standard. The construction cost budget is being managed closely by the appointed Quantity Surveyors and Project Manager who are both on a fixed fee.

The procurement of the building contractor, discussed in more detail below, is a 2-stage Design and Build approach which looks to transfer an element of risk from the School to the Contractor

4.3 Procurement route and timescales

The School has conducted a review of the alternative procurement routes for appointing the main contractors for the project after looking at the priorities of the end product and process

Having ranked the percentage fit of each of the procurement options that were available to School against its key drivers it was concluded that a Design & Build (D&B) process would be most appropriate.

The key reasons why this route best fits the requirements of the School include
- D&B offers the optimum allocation of design development and control while maximising the benefits from an experienced contractor team
- It can allow for innovative design and construction methodologies to be utilised
- Cost and programme certainty on contract award
- Single point of responsibility for design and construction
- Flexibility to commence works before design is completed
Late novation of design team can safeguard quality
- There is a preference from contractors to work in collaboration with the design team whilst there is time to provide buildability influence from their own experience. This would make the scheme attractive for contractors to tender for
- Programme preparation and implementation can be optimised through working with the Contractor

The likelihood is that the School will procure the main contractor through a 2-stage Design & Build route so that they can work with the Design Team in advance of the contract award. This allows there to be an element of testing the contractor before appointment and to get a better quality of price as the contractor will understand the design better than through a single stage D&B.

The School aims to start the tender and **framework** selection process through September and October with the expectation of appointing the main contractor in November 2019.

4.4 Efficiencies and commercial issues

The School intends to use a framework to appoint the main contractor. This allows a competitive process to be followed to a restricted number of contractors rather than using an open call through OJEU which will open the competition wider and is a much more elongated and complicated process.

Using a 2-stage D&B approach will allow an approach whereby the contractor works with the design team to review the designs before submitting their final tender. This allows the contractor to understand and contribute to the design which will allow a more informed tender to be returned. This reduces the amount of risk that is costed into the tender and should help reduce design issues during the construction phase.

5. The Financial Case

This section ascertains the funding requirement, the affordability of the proposal and explores all options for funding.

5.1 Funding Requirement

To establish the total funding requirement, we have considered five elements:

Cost Heading	Total £m
1. External Fees[1]	0.921
2. Capital Build Costs	11.440
3. Equipment / Fit Out	1.169
4. Contingency	0.983
Total Project Cost	**14.828**

Table 5.1

Project costs excluding land purchase are estimated to be £14,513,000.

Key assumptions:

- Project is completed for occupation in time for autumn term 2021;
- Land sale proceeds are made post occupation of new building and will be passed on to the Combined Authority;
- Land purchase costs will be £315,000 less any costs of site preparation (including removal/ treatment of site for abnormals); and
- ESFA do not claw back any funding for past capital works – the School is currently seeking clarification from the ESFA.

Work is underway to develop designs up to RIBA Stage 3 and this will be completed before the Combined Authority Cabinet in October to provide further cost certainty. Currently the build cost is estimated to be around £1,900 to £2,500 per sqm. The SFA / AECOM publication on cost models for Further Education Schemes (July 2015) identified baseline criteria for a typical new build scheme based on Yorkshire, Humberside and the North East and North West of England and a two-stage procurement process at a 'Very Good' BREEAM rating. The cost per sqm was £2,706. Accounting for inflation with a multiplier of 1.05 this would be closer to £2,841 now, so cost estimates to date are at the lower end of the scale.

[1] £580,000 advance provided by the Combined Authority to support this work. The remainder is subject to approval of this business case. The final amount paid will exclude this amount.

The build will result in a reduced floorspace and more effective use of space with space for growth. It includes new equipment and furniture as well of recycling what is currently still fit for purpose.

5.2 Financial Position

The Northern School of Art is a Further Education College and is subject to regulation by the Education and Skills Funding Agency (ESFA). The core to its growth ambition is to successfully move into the highly competitive Higher Education sector and secure University Status. The School is relatively small with a turnover of £9million per annum. Whilst this makes The School larger than Hereford College of Arts, the only other specialist art and design institution in the FE sector, which has total income of £6million, within the Tees Valley Stockton Riverside College has income of c.£20million and Middlesbrough College c.£40million.

Table 5.2 Financial Position *(The details of Table 5.2 Financial Position are in Appendix D Commercially Sensitive Information 3).*

The operating surplus is the most useful measure of looking at financial performance as this excludes actuarial pension adjustments which are a technical accounting entry into the accounts and distort the underlying performance of the School. As can be seen over the last 4 years the operating surplus hovers around break even as the School invests in staff and equipment whenever it can to remain competitive. The value of assets has increased over time predominantly due to the addition of new buildings in Hartlepool. Reserves are purely an accounting calculation which do not reflect what can be invested. Cash balances are a better indication of investment capability. The current cash levels are required in order to meet ESFA financial health requirements and banking covenants and for working capital needs. Current cash levels have decreased in 2017/18 as the credit facility with Barclays Bank is reduced over the year end date to ensure the School complies with the covenants that are in place. As such the underlying cash balance is more in the region of £1.5m as the facility was fully drawn down again 2018/19.

Draft results for 2018/19 follow a similar pattern to 2017/18 with a £(0.1)m operating deficit being expected. Actuarial adjustments have not been received yet on the pension fund, but as mentioned are not of huge importance when looking at performance. However, the ESFA financial health has returned to ‘Good’ after a short period of ‘Satisfactory’ when there was investment in new programmes and scholarly activity.

To ultimately achieve University status, the school must remain financially stable and demonstrate future sustainability whilst remaining competitive against much bigger organisations, including specialist universities and larger civic institutions. This will require both capital investment and expenditure to attract more students from a wider geographical area. Whilst this proposal is based on a capital build for the Further Education provision, this ambition for the benefits stemming from university title are the strategic motivation for the proposal.

The current financial health guidance for organisations contracting with the Education Skills Funding Agency (ESFA) looks at three things:

- Profitability (sustainability) - use a sector-specific EBTIDA as a percentage of adjusted income;
- Solvency (current ratio) – current ratio of assets / liabilities; and
- Borrowing (debt ratio) – total debt as a percentage of reserves and debt.

Establishments are awarded a financial health scoring and grading from Inadequate, Requires Improvement, Good and Outstanding. At this point in time the School is sufficiently solvent but only holds modest amounts of cash which are required as working capital and to ensure that the ‘Good’ financial health score is met. Its performance is good, but it cannot invest in areas where it would like from revenue and borrowing is at the threshold of the amount of gearing the ESFA consider acceptable meaning the School has no additional borrowing capacity.

Currently the School has net assets of £3.8 million inc.£1.8m of pension liability and long-term debt of £3.2m. This borrowing was taken out to part fund the new HE building located in the Innovation and Skills Quarter in Hartlepool, which was completed in 2017. It is broken down into £1.4m from Hartlepool Borough Council for the construction of 1 Church Street and £1.8m from Barclays Bank for the purchase of Victorian buildings in Church Square from Hartlepool Borough Council. These lenders review the School's financial performance on an annual basis. Should banking covenants with Barclays Bank be breached this would cause significant problems as the bank could call in its loan which would ultimately result in the School's financial health dropping to ‘Inadequate’ which would trigger immediate intervention by the FE Commissioner. It should be noted that the reserves in the balance sheet are not readily available for investment as the cash element is limited and much of the balance has been invested in assets and working capital.

In early discussions with the Office for Students (OfS) regarding transfer to the higher education sector, thus becoming a higher education institution (HEI) rather than a further education college (FEC) The School has sought guidance in relation to financial performance. In discussing the judgement that OfS will make in assessing The School's financial viability and sustainability under the terms of Condition D for registration as a provider the OfS has declined to state definitive criteria. However, whilst The School is registered as a provider already, and so meets Condition D as an FEC, OfS has indicated that it applies different and, by clear implication, more stringent criteria in assessing the ability of HEIs to meet registration Condition D. The School is therefore likely to be obliged to demonstrate improving financial health, as a minimum, in order to meet Condition D and achieve transfer to the HE sector. Being an HEI is a necessary prerequisite to ultimately gaining university title, which unlocks many benefits in terms of reputation, new funding, student recruitment and engagement with key partners in the UK and overseas. The ability of the School to compete in the HE market would be at risk if we are over-stretched financially and our ability to remain financially sustainable in the FE market is at risk if we do not look to grow the business.

Capital Investment

The Northern School of Art has identified the following capital contribution to the project:

Source	**Total £m**
Green Lane land sale (minus demolition costs)	0.575
Capital to purchase Denmark Street site	0.315
Total Capital Investment	**0.89**

Table 5.3

In February 2018, Dodds Brown provided a valuation of the current Green Lane site, this determined that the current market value is in the region of £875,000-£950,000. Demolition costs would need to be accounted for and the net amount will be put into the project. They advise that obtaining demolition costs would be prudent, consideration should be given to marketing the site with the building in situ, as perspective developers may have in house demolition team or have a preferred contractor. John Wade Group have estimated that the cost of demolition will be between £250,000 and £300,000 inclusive of the removal of the remaining elements of asbestos in the building.

The Denmark Street site is currently a car park and Middlesbrough Council had forecast a net benefit of £1.8m over a 30-year period from the car park income. They have agreed to dispose of this land at a residual price of c.£315,000[2] with a 30-year deferral of receipt. The land disposal was approved by their committee in June 2019.

Currently the School is not able to invest capital over and above the proceeds of the Green Lane land sale. The School currently invests in the region of £200,000-£300,000 in capital and equipment each year but this is not enough going forwards if the School realistically wants to become an HE institution and compete effectively. The costs of maintaining the current Green Lane facility are less than £50k as the decision was taken to stop investing in the building other to cover basic maintenance whilst the School sought funding. Savings in maintenance going forwards are unlikely to be realised as any money will need to be diverted to the maintenance of the Hartlepool campus buildings in Church Square which are a combination of Grade II listed buildings and a 1960s construction.

Summary of Outstanding Funding Requirement

Costs	**Total £m**
Total Project Costs	14.8
Secured Inputs	
The Northern School of Art	0.89
Net Funding Requirement over lifetime of project	**13.91**

Table 5.4

5.3 Funding Sources & Options

FE capital for constructing new colleges was last funded by government through the Building Colleges for the Future Fund. The School were in the unfortunate position of being mid-design of a new building in the Middlehaven development area of Middlesbrough when the LSC unexpectedly stopped funding FE capital projects due to lack of funds nationally. Since that time the ESFA have become the funding body for FE colleges.

The ESFA who succeeded the LSC no longer provides capital funding for FE colleges. Government now relies upon colleges to raise debt and Local

[2] Based on 2018 valuation, which is currently being updated and may be subject to change.

Enterprise Partnerships across the country to address this need should it be a priority in the relevant region.

The School is unable to fund the project itself for a number of reasons:

- Insufficient cash available to fund such a project;
- ESFA financial requirements; and
- Bank covenants that are currently in place with Barclays Bank (which are broadly similar to the requirements of the ESFA).

Should funding not be available for the project the School will start to see the quality of delivery and standards of teaching decline as funding is diverted to long-term maintenance of the Green Lane building (as discussed and modelled in pages 12-13). There would be a corresponding drop in recruitment as standards fell which would in turn have a knock-on impact into the HE side of the School which would also feel the impact of a diversion of investment.

The School has explored six financial options with the Combined Authority.

1. 100% TVCA Non-Repayable Grant;
2. NSOA provide some capital investment;
3. TVCA loan paid back through income;
4. TVCA build and own facility and rent to NSOA;
5. TVCA grant 100% repayable based on contingencies; and
6. TVCA grant, 50% repayable based on contingencies.

The table below sets out these six options and assesses the risk for each to each organisation.

Funding Options

Option	CA Risk	School Risk	Key Points
1. 100% TVCA Non-Repayable Grant	**High Risk**	**Low Risk**	• TVCA would be the sole investor taking all the financial risk and the School would receive some financial reward when outcomes for the project are achieved; • Building a case for a large grant in the current Investment Plan which looks to invest on a commercial basis where possible is a risk; • The need for 100% public intervention would be difficult to demonstrate; • This option does not meet the need of the Combined Authority to share risk and reward.
2. NSOA provide some capital investment	**Medium Risk**	**High Risk**	• Due to reasons set out above in section 2.7 and 5.2, the School is not in a position to provide any further capital investment. Therefore this option has been discounted.
3. TVCA loan paid back through income	**Medium Risk**	**High Risk**	• The School currently has a loan of £1.5m from Hartlepool Borough Council (HBC) which was used to build its Hartlepool facility; • A £1.8m loan with Barclays Bank to purchase buildings in Church Square from Hartlepool Borough Council; • As an educational establishment, the School is currently at the maximum borrowing capacity allowed by the Education, Skills Funding Agency (ESFA); • If the business was not subject to this regulatory environment it could not secure further debt finance as currently it does not have the revenue to sustain it; • They have evidence of applying for a bank loan in 2014 for the Hartlepool project and were refused which was the trigger for the HBC loan; • Revenue should increase in future but the business will need to stay competitive in the HE sector and will need to re-invest to do so; • The business needs to sustain financial health to achieve its ambitions to grow and become a University; • It also needs to invest to boost its ability to recruit more students; therefore • This option is at the current time not possible for the School and would pose a high risk in terms of the project achieving its objectives.
4. TVCA build and own facility and rent to NSOA.	**Medium Risk**	**High Risk**	• Initially the Combined Authority proposed a peppercorn rent to reflect current affordability and future sustainability; • The School does not currently pay rent as they own the facility, so this would be additional expenditure;

Option	CA Risk	School Risk	Key Points
			• As their current strategy is to become financially viable and sustainable the Board of Governors would struggle to authorise additional long-term expenditure as it would affect the ability to grow the School and in turn achieve the ambitions for the project; • The School can't enter a long lease due to the impact on the balance sheet, which would reduce their financial health to an unacceptable rating from the ESFA, so only a short-term lease could be agreed in an environment with political uncertainty; therefore • This option would not work for successful delivery of the project and the risk would be too high for the Northern School of Art.
5. TVCA grant 100% repayable based on contingencies	**High Risk**	**Medium Risk**	• It is recognised that an element of grant will be required due to the issues discussed in this business case; however • This is too high risk for the Combined Authority as it is unlikely the full amount could be repaid, so it becomes option 1.
6. TVCA grant, 50% repayable based on agreed contingencies and legal charge over the asset (building and land) for the period agreed.	**Medium Risk**	**Medium Risk**	• It is recognised that an element of grant will be required due to the issues discussed in this business case; • The Combined Authority is more likely to get 50% back[3] through a commitment from the School resulting in a more shared approach to both risk and reward; and • If the project does not achieve its objectives and the School doesn't realise the intended growth, resulting in the worst-case scenario set out in the economic case, the asset can be taken back.

Table 5.5

[3] We can add anticipated range of payback when modelling is complete.

5.4 Financial Assistance Sought

Based on the preferred option above, set out below are the proposed funding arrangements and contingencies:

Cost of project	**£m**
Design and construction	14.514
Purchase of land from Middlesbrough Council by the School	0.315
Total Cost	**14.829**
Combined Authority Grant	7.257
Combined Authority Contingent repayable grant	7.257
Total grant funding	**14.514**
Less Development Funding	(0.580)
Remainder of grant to fund	**13.934**
Repayment of contingent repayable grant	**7.257**
Proceeds from sale of Green Lane campus 2021/22 (TBC)	(0.575)
Share of surpluses 2026-2046	(6.682)
Remaining balance at 2046	**0**

Table 5.6

Level of 'Normal' Profit

It is imperative that in the present highly competitive market for art and design undergraduate students the School preserves its ability to invest in infrastructure, staff and facilities to at least maintain its competitive position. In seeking evidence to support a 'normal' level of surplus which allows the necessary level of ongoing investment, The School draws attention to the recent DfE publication *Understanding costs of undergraduate provision in Higher Education - Costing study report* published in May 2019 and available here:
https://www.gov.uk/government/publications/cost-of-undergraduate-higher-education-provision

This comprehensive report considers the 'Margin for Sustainability and Investment' (MSI). Details of the basis of this sustainability adjustment are included in that report. The *Findings and Analysis* section includes the following:

"Sustainability adjustment costs are very close in range, between 10% and 11%. The weighted mean MSI for the UK sector as a whole was 9.8% in 2016-17[4]." (p.93)
On this basis The School proposes that the 'normal' allowable surplus before a contingent repayment is scheduled is 10% in any one year.

Level of Grant Repayment Annually

Given that the grant is divided equally between 'pure' grant and contingent repayable grant it seems appropriate to the School that any surplus above the normal level be divided equally; it is therefore suggested that 50% of any surplus in a qualifying year should be deemed to be the quantum of repayable grant generated from that year's activity.

Relevant Period

It is suggested that the relevant period in terms of financial years which may trigger a repayment of contingent grant should begin with the financial year beginning on or after the fifth anniversary of practical completion of the new FE campus, and end with the financial year beginning on or after the twenty-fifth anniversary of practical completion. The final actual repayment would occur in the following financial year.

Summary of Contingencies

1) The School makes a surplus based on the full business accounts for both the FE and HE provision;
2) Up to 10% surplus can be retained by the School to support future investment;
3) 50% of the surplus beyond the first 10% is repaid to the Combined Authority which will be determined and paid annually; and
4) Cost overruns will have to be deducted from the sale proceeds of Green Lane and potentially added to the contingent repayable grant element of the funding.

5.5 Impact on Revenue and Balance Sheet

Revenue

The key result of the project is on the ability to recruit students to the FE college. The location will see improved visibility and transport connections which will assist greatly in terms of marketing and recruitment. This in turn will see additional funding available to reinvest in capital and equipment in the School to remain competitive. In due course increased recruitment at the

[4] Figure based on the mean (weighted) on an income basis. Margin for Sustainability and Investment: analysis of 2016-17 data, Sustainability Metrics Steering Group, August 2018.

FE campus will feed through to increase numbers of HE students as they progress through their education.

Balance Sheet

An asset would be created on the balance sheet in the form of a building. This would have an asset life of 40 years in the financial statements as per the accounting policies. This will be recorded as an asset at the point of practical completion / handover from the construction contractors. Until this time the School will be holding the investment to date in the assets as 'assets under construction' on the balance sheet.

5.6 Payback Risk

The School has modelled its financial position into the 2040s in order to assess its ability to both generate an adequate level of surplus and cash for investment in addition to the likelihood of repaying the contingent repayable grant element of the project funding in full.

The School has adopted a number of key assumptions in its financial modelling work. These are:

i. FE student numbers will increase in the period to 2027 both as a result of demographic change and additional recruitment as a result of better transport links to a new site, and the increased institutional profile resulting from a prominent town-centre location. It is assumed that we will grow the new Middlesbrough campus to its capacity of 730 FTE students by 2027;

ii. HE student numbers will substantially increase in the period to 2027 both as a result of demographic change and additional recruitment as a result of the same proportion of FE students as currently progressing to its HE provision, but from a larger FE cohort as a result of assumptions at (i);

iii. UK undergraduate numbers will increase as a result of a 20% increase in acceptances on being granted university title. This is consistent with the experience of Arts University Bournemouth, Leeds Arts University and Norwich University of the Arts;

iv. HE student numbers will also increase as a result of successfully initiating overseas undergraduate recruitment and increased postgraduate student recruitment following improved visibility and reputation once university or university college title is achieved

v. The ability of The School to increase its financial efficiency as it grows, both because much growth should arise because of larger group sizes and because The School can grow without a proportional increase in administrative staff levels;

vi. The need to progressively increase pay rates for teaching staff currently on FE contracts to HE pay rates as the institution transfers to the HE sector;

vii. In conjunction with assumptions at v and vi above, The School has assumed that its pay costs as a percentage of its total income can be reduced as a result of effective growth and the increasing proportion of its (better funded) HE activity to the level only of its least effective comparator institution.

The School has also flexed these assumptions in considering the sensitivities relating to the likelihood of repaying the contingent repayable grant element of the project funding in full. In making these assumptions The School has examined the financial performance of key comparator institutions over a decade. The institutions are:

- Norwich University of the Arts;
- the Arts University Bournemouth;
- Leeds Arts University; and
- Plymouth College of Art.

Although all are specialist art and design institutions, and their similarities to The School are considerable, in each case there are operational differences which affect their ability to generate a surplus, and the extent of that surplus. Key differentiators include:

- Whether/when they gained university title;
- Whether or not they offer further education courses in addition to their higher education provision;
- The extent and nature of their inherited estate and how much investment they have made in improvements;
- Location; and
- Their level of emphasis on research activity.

Some background information in respect of these institutions is included at Section 1.2. As set out there, three of these institutions have gained university title during the period since 2007, and the remaining institution, Plymouth, is now eligible for title change. On average the other three institutions experienced an increase of 19% in undergraduate acceptances in the appropriate UCAS cycle immediately following title change. Only Norwich has a purely HE offer. Whilst the other institutions generate lower % surplus levels, this disparity is not solely, or even mainly, due to their FE activity as for two it is at a relatively minimal level. Norwich had a relatively large estate a decade ago and has been able to grow its numbers without the delay and expense of significant investment in its estate. Leeds has been constrained by its physical estate, operating in relatively cramped conditions until it opened a large new building in December 2018, outside the time period for which student and financial data area publicly available. Plymouth has invested in a 5-16 school in the town and this has required cash and management resource as well as operating financially less effectively than its HE provision. Bournemouth has had a greater emphasis on building up its numbers of research students and staff research activity to support its research Excellence Framework (REF) entry. In addition, it has made significant investments in its estate, some of which might be characterised as vanity projects.

The following more detailed issues relating to their financial performance, and comparisons with our assumptions regarding the School's projected financial performance, are set out in the table below:

Comparator	Arts University B'mouth	Leeds Arts University	Norwich University of the Arts	Plymouth College of Art
HE acceptances post-title	+21%	+24%	+12%	n/a
10 yr income growth	89.0%	43.4%	103.5%	79.9%
Staff costs % income 2015-17	40.5 - 41.0%	51.0 -54.0%	41.8 - 42.7%	51.7 - 58.0%
Income change 4 yrs post-title	39.5%	n/a	43.0%	n/a
% surplus range last 5 yrs	+3.2 - +13.5%	+10.4 - +18.1%	+17.1 - +25.6 %	-2.7 - +6.6%
Mean 10 yr surplus	7.8%	12.6%	18.9%	3.7%

Table 5.7

It should be remembered that no institution had university title for the whole of this period, and Plymouth has yet to agree its new name as a university. Thus, the ability of all of the institutions to generate their peak surplus level was compromised during this period. Nevertheless, with an identical contingent repayment arrangement Norwich University of the Arts would have completed the grant repayment in 10 years. The Northern School of Art modelling assumes that university title will be achieved shortly before the commencement of the 20-year period of planned grant repayment, and the mid-/most-likely modelling shows full grant repayment during this period.

The outcomes of The Northern School of Art modelling, based on flexing the key assumptions set out in this section, are as follows:

Table 5.8 The outcomes of The Northern School of Art modelling ***(The details of Table 5.8, The outcomes of The Northern School of Art modelling, are in Appendix D Commercially Sensitive Information 4).***

*but with additional pre- and post-title growth due to enhanced impact of new FE campus and The Northern Studios on recruitment

In each of these scenarios The School acknowledges that projections where the key period begins more than five years in the future inevitably involve an element of uncertainty. The mid-/most likely case involves The School generating substantial cash balances over the 25+ year time span of the model.
This is normal for an HEI generating 10%+ surpluses, in the same way that, for example, Norwich University of the Arts has built up cash and short-term investments which exceed 100% of annual income. However, The School has not modelled the future investment of cash in land and buildings. Unlike Norwich, The School would need to invest in new teaching space to accommodate the growth in student numbers envisaged in the model. Whilst it might be possible for students to be accommodated in halls of residence financed by third parties, as is currently the case, The School would certainly need to invest funds both in new teaching space and in its heritage buildings at Church Square, possibly including the creation of additional facilities at Church Square such as a new Library/Learning Centre. This is not expected materially to affect The School's ability to generate surpluses and repay grant.

6. The Management Case

A detailed draft project plan is cited in the appendices which is under review to see where time savings can be made to bring forward completion date

The Outline Project Plan

Activity	Date (DD/MM/YYY)	Comment
Planning permission received	31/01/20	Assumes RIBA 3 report complete 30-Sep and planning application made at same time c.90-day turnaround at planning
Other (detail as necessary)		
Work to be started on site	30/04/20	Start on site immediately
Work substantially completed by	31/05/21	Assume c.15 month build programme Need practical completion May/Jun 2021 so can decant to new building prior to new term

Table 6.1

6.1. Project management

Project structure and governance
The Northern School of Art has established robust governance and project management arrangements. The School has established the Capital Programme Group, chaired by the School with representation from TVCA and MBC, responsible for oversight and risk management of the full project. This Group reports to the School's Corporation Board and is the key vehicle for control and accountability

The project will be delivered through a separate delivery vehicle - Northern School of Art Devco Limited - a separate, time limited, trading company which ill take forward the day to day management of the delivery of the build project.

The project is managed day to day by the Vice Principal (Resources) and Head of Further Education with an external design team, external project manager and external quantity surveyor

Capital Programme Group membership

Chair - Tim Bailey - Independent governor (xsite architecture)

Alison Fellows - Investment Director - Tees Valley Combined Authority
Kevin Parkes - Executive Director of Growth and Place - Middlesbrough Council

Sarah Fawcett - Independent governor (North Star Housing Group)
Martin Raby - Principal
Jackie White - Clerk to the Corporation
Patrick Chapman - Vice Principal
Stuart Slorach - Vice Principal

External Consultants
Architects - seven architecture Limited
Structural & Civil Engineers - WYG Engineering Limited
Mechanical & Electrical Engineers - Silcock Leedham Group
Quantity Surveyors - Faithful & Gould
Project Managers - Arcadis LLP

6.2 Communications and Stakeholder engagement

We have developed and approved the *Middlesbrough Re-Location Project - Communications Plan* which sets out our strategy for stakeholder engagement before during and after the project. In addition to internal and external stakeholder engagement about the project it outlines how we will develop the market for new students outside the Tees Valley through:

- Schools visits and events
- Careers Events
- Outreach to teachers and careers advisers
- Direct marketing - through prospectus and leaflet drops
- Visits to the new campus
- Promotion of any new concessionary travel scheme (once agreed with public transport operators)

6.3 Change management

The School is undertaking a programme approach to that of the recent successful project at the Hartlepool HE campus. There have been various workshops held with user groups within the School to determine the requirements needed of a new building. An acknowledgement that the current buildings are inefficient and inflexible has been made by users who are working with the architects to create a much more flexible and adaptable space for activities going forwards. This includes changes in the way education is delivered and more crucially how the School will need to purchase and use specialist timetabling software to enable larger student numbers to be taught in a smaller building. Currently the user groups are producing room data sheets to ensure that the detailed designs at RIBA 3 and 4 takes into account all the equipment and furniture that is required to be relocated to the new building and what needs replacing.

User group workshops are conducted with a number of areas at the same time as often this provides more challenge to the process as the various users tease out items that may have been overlooked otherwise. This collective approach has proved useful in obtaining buy-in for a smaller building as academic staff share their ideas as to how they can adapt their teaching practice to the rooms and resources available.

Now that there have been several user workshops there is a visible level of excitement and realisation that the look and feel of a new building will lend itself to better collaboration between staff and students across the various programmes. It will also provide better access to shared resources in the various art and design workshops incorporated into the designs.

Contingency planning will in the main be around cost and delivery. The costings include a 7% contingency which is appropriate for a project of this size and nature. The delivery date is being planned so that there is adequate time for staff to set up prior to / immediately after the summer break so that everything is commissioned and up and running for the beginning of the autumn term in September 2021. Should the programme overrun the worst-case scenario would be to move the following summer or piece-meal over the academic year. Neither scenario is ideal and would incur costs but at this stage it is envisaged that there will be enough contingency in the construction programme to enable the expected occupation date to be met.

6.4 Benefits realisation

Benefit	Owner	Baseline	Target	How it will be measured
Growth in FE student numbers to 730	TNSA - VP (E&ER)	c.500	Sept 2027	Students on roll
Expansion of our curriculum in stage and screen, mirroring our HE offer	TNSA - VP (E&ER)	Current offer 2018 entry	From Sept 2023	Offer in FE prospectus
Transfer to the HE sector and the subsequent creation of the second Tees Valley based university: • Sector transfer • DAPs • DAPs in perpetuity • University College titlle	TNSA - Principal and Board	Current status	Transfer Dec. 2020	DfE & OfS approval
			DAPs end 2021	DfE & OfS approval
			DAPs in perpetuity by 2024	DfE & OfS approval
			UC status granted in 2024	DfE & OfS approval
Creation of a new 'gateway' campus	TNSA - Principal	Output	Practical completion by June 2021 (or May 2022 if timetable slips further)	Practical completion and handover
Growth in HE student numbers studying creative cultural and digital subjects: • At TNSA • In Tees Valley	TNSA - VP (E&ER)	Current UCAS data FE-HE Transfer Rates at 30% Maintain a 55:45 HE:FE ratio as a minimum	Annual growth better than demographic growth at The School and Increased numbers of 18 year old HE entrants in the Tees Valley	UCAS and enrolment data

Table 6.2

6.5 Risk management

The key risked are summarised below. The project risk register is included in appendix c

	Key Risks	H/M/L	Owner	Mitigation
1	Programme overrun	M	Arcadis	Early contractor engagement
2	Funding uncertainty	M	NSoA / TVCA	Continuing dialogue between School and TVCA to ensure that requirements of both parties are properly understood
3	Planning permission	M	NSoA	Early engagement with Planners to ensure meeting local expectations
4	Cost overrun	M	NSoA	RIBA 2 report suggested overrun of c.£200k but had contingency for 'abnormals'. This risk is reducing as results of surveys are in. There is an element of contingency in the budget which is considered adequate at this point (7%)
5	Reduction in size of building from current will compromise delivery	L	NSoA	Several user workshops looking at how the building would work and how delivery methods can be changed plus requirement to more sophistication timetabling software

Table 6.3

6.6. Contract management

The School appointed the Design Team (architects and engineers) in December 2018 with seven architecture acting as programme manager in the interim. Quantity surveyors were appointed separately from the design team to ensure independence from the Design Team. Both the Design Team and Quantity Surveyors are appointed for the duration of the project subject to funding

Internally the project is managed by the Vice Principal (Resources) and the Head of Further Education.

In July 2019 the School appointed Arcadis as Project Manager as the project increases in its complexity. Arcadis are appointed through to the end of the project subject to funding becoming available for the construction stages

The School will manage, with support of the above professional advisers, the contract for construction. In turn the Vice Principal (Resources) manages the contracts with the professional consultants.

The Vice Principal (Resources) will also have the responsibility of managing the contract or funding agreement with TVCA, including the production and submission of claims.

6.7. Assurance

Design progress meetings

The School meets the project team on a fortnightly basis to discuss progress, costs and programme. The group consists of

The School	Principal, Vice Principal (Resources), Vice Principal (Student Experience) and the Head of Further Education
Arcadis	Project Managers
seven architecture	Architects
WYG	Civic and Structural engineers
Silcock Leedham	M&E Engineers
Faithful & Gould	Quantity Surveyors

Capital Programme Group

This group meets monthly to discuss progress and the broader issues the project faces. There is a focus on partnership with updates from the School, Combined Authority and Local Authority to ensure everyone knows what issues each partner is facing and where additional support is needed.

Chair - Tim Bailey - Independent governor (xsite architecture)

Alison Fellows - Investment Director - Tees Valley Combined Authority
Kevin Parkes - Executive Director of Growth and Place - Middlesbrough Council

Sarah Fawcett - Independent governor (North Star Housing Group)
Martin Raby - Principal
Jackie White - Clerk to the Corporation
Patrick Chapman - Vice Principal
Stuart Slorach - Vice Principal

Corporation Board
The board of the School received regular updates from the Principal and Chair of the Capital Programme Group. Key decisions are taken by the Board and so far have included whether to progress the project and also the terms and conditions of financing the project. This group comes from w wide diversity of backgrounds from education and the private sector. The Board challenges the rationale for decisions and sets the tone and direction for the Officers and the Capital Programme Group.

6.8. Post project evaluation

Post project evaluation takes various forms:

- submission of output claims to TVCA to monitor whether the aims and objectives of the Combined Authority are being met
- internal review of how the project has gone and what the lessons learned are. This also includes a review of whether the School's priorities have been met and a value for money / return on investment report prepared
- monitoring of student numbers and student experience. There should be a quantifiable improvement in both (demographics permitting) which will be part of the post implementation review

6.9. Contingency plans

The project is part of a wider strategy being pursued by the School and is a crucial part of the sustainability of the institution moving forwards.

Appendix A: List of reports produced

1 Land and Property Search and Options Appraisal, Cushman Wakefield, September 2018

2 The Northern School of Art Relocation: Economic Case, ERS, June 2019

3 Middlesbrough Re-Location Project - Communications Plan

4 Procurement Strategy Review, Arcadis, August 2019

5 Draft Project Plan (Gannt chart), Arcadis, August 2019

Appendix B: Data Sources and references

1 DCMS Economic Estimates - https://www.gov.uk/government/collections/dcms-sectors-economic-estimates

2 TravelTime - https://app.traveltimeplatform.com

3 BIS Research Paper Number 38 - Measuring the economic impact of FE, March 2011

4 The Economic Value of Creative Focused Universities and Colleges, Emsi, 2016

5 Creating Prosperity: the role of higher education in driving the UK's creative economy, Universities UK (UUK), 2010

6 Independent Review of the Creative Industries, DDCMS, 2017

7 Inclusive Future Growth in England's Cities and Regions, Marlow et al, CURDS, Newcastle University, 2019

Appendix C: Risk Register

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Appendix D: Commercially Sensitive Data

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