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| Meeting | Council |
| Meeting date | 15 July 2016 |
| Title of report | Council support for the New Model in Technology and Engineering (NMiTE) university |
| Report by | Leader of the council |

Classification

Open

Key decision

This is not an executive decision.

Wards affected

Countywide.

Purpose

To approve an amendment to the capital programme

Recommendation

THAT:

- (a) **provision of £300k be made in the current year's capital programme to support the development of the new university.**

Alternative options

- 1 The council could choose to make the funding available by way of a grant. This is not recommended given that the likelihood of recovering the investment remains and therefore a loan arrangement offers the best use of public resources.

Reasons for recommendations

- 2 To continue to respond to the resolution passed by Council in 2014 to support the creation of a university for the county.

Key considerations

- 3 It is anticipated that a new university in Herefordshire would have the following transformative economic benefits both locally and regionally:
 - With up to 5,000 students there would be an immediate and direct benefit to the Herefordshire economy;
 - There would be value added by local firms benefitting from knowledge transfer, research and access to university expertise;
 - 10-40% of students are likely to remain in the area either as employees or starting their own businesses;
 - Over 25 years the university will add some 7,000 economically active residents which is about a third of the estimated 20,000 needed to make the county sustainable as a separate entity: and,
 - With some 500 well paid staff the university will help raise average wages in the county.
- 4 In his autumn statement in 2015 the Chancellor of the Exchequer George Osborne, pledged that Government support will be provided to secure launch funding to create the NMiTE university and said “I hope this will allow the institution to start teaching the engineering students of the future that our country needs before the end of the parliament.”
- 5 Funding of circa £18m is earmarked for this launch funding but access to this is dependent upon HTET submitting a sound Green Book business case, the Office of Government Commerce’s recommended standard for the preparation of business cases, and it being approved by BIS.
- 6 Key elements of the case will be:
 - the commitment from the council to work in partnership with HTET;
 - tangible evidence of how and where the teaching, administration and student accommodation will be located;
 - connection with and impact of those university buildings with the city/county; and,
 - the soundness of the financial and economic business case and the associated wider benefits.
- 7 Officer support is being provided to HTET, which is leading the project, to develop the Green Book business case. However, the successful establishment of the new university is dependent upon the development of a detailed business plan to give confidence to funders and stakeholders regarding the delivery and sustainability of NMiTE’s university model for Herefordshire.
- 8 In order to achieve this HTET have requested the council to provide loan support of up to £300k, repayable once government and/or private funding is secured. The cabinet member has given in principle approval to this request for loan funding subject to Council approval of the amendment to the capital programme and to a number of conditions to be determined by the joint university project board, established following cabinet member approval (see: <http://councillors.herefordshire.gov.uk/ieDecisionDetails.aspx?ID=4309>). The council will remain the accountable body for the funding.
- 9 The university project is an extremely significant opportunity for Herefordshire and the council has committed to support its implementation due to the positive impact the university would have in meeting a number of the council’s strategic objectives.

Community impact

- 10 Development of the higher education proposals, included in the council's corporate plan, would enable both residents and businesses to have much needed access to higher education and be a catalyst for learning progression in Herefordshire. The new university would also help address the challenge around raising average wage levels in the county.

Equality duty

- 11 Supporting the establishment of a university for Herefordshire is totally compatible with our general duty under section 149.

Financial implications

- 12 The £300k loan facility will be added to the approved capital programme, financed by prudential borrowing and provided to HTET following the meeting of the loan conditions. HTET will be charged interest on the loan balance at the council's weighted average interest rate, currently 3.42% per annum, ensuring the loan repayment reimburses all costs incurred.

Legal implications

- 13 The council may, under the general power of competence set out in s.1 Localism Act 2011, do anything that individuals generally may do.
- 14 Paragraph 4.7.21.5 of the council's Financial Procedure Rules states that loans to third parties will only be made in exceptional circumstances.
- 15 Full council resolved at its meeting on 7 March 2014 to request that the executive identify the most appropriate way for the council to assist in securing the future of higher education in the county. The loan of £300k is in line with this resolution.
- 16 The terms upon which the loan is made would need to be negotiated and agreed to ensure the council protects its financial position and mitigates against the possibility of the loan not being repaid.

Risk Management

- 17 There is a risk that should the new university fail to attract sufficient non-council resources then the loan payments would not be repaid. This risk will be monitored and managed by the joint university project board in the course of developing the business case and associated submissions for Government funding.

Consultees

- 18 None.

Appendices

- 19 None

Background papers

- None identified.