

## Appendix 1

### Options appraisal- delivery models for council involvement

#### Option 1

##### Do nothing

Advantages	Disadvantages
No risk exposure for the council	No cyber centre development by University of Wolverhampton in Hereford
	<b>Project will not proceed</b>

#### Option 2

##### Council sources another delivery partner for a cyber centre

Advantages	Disadvantages
Enables the council to test whether other potential cyber centre delivery partners may be available	University of Wolverhampton has approved the council and views Hereford Enterprise Zone as a key strategic site
	University of Wolverhampton has strong track record of business centre delivery and local authority collaboration through Wolverhampton Science Park
	University of Wolverhampton has secured £4.1m grant funding for the project
	University of Wolverhampton has strategic plan to invest and develop its existing cyber research capability and is making its own financial investments in this area
	University of Wolverhampton aims to make rapid progress in this sector and at HEZ
	<b>Project will not proceed</b>

### Option 3

#### Council grants lease to University

Advantages	Disadvantages
Council makes HEZ site available for a key cyber asset	The project does not have sufficient funds to proceed unless council invests more, or building is substantially scaled back.
Council receives commercial lease premium for the site	Lease can only regulate activity through a “permitted user” clause, does not provide a proactive mechanism to shape the future direction of the cyber centre
	<b>Project will not proceed</b>

### Option 4

#### Council grants lease to University and makes loan to University

Advantages	Disadvantages
Council makes HEZ site available for a key cyber asset	
Council receives commercial lease premium for the site	Lease can only regulate activity through a “permitted user” clause, does not provide a proactive mechanism to shape the future direction of the cyber centre
Council receives commercial return on its loan	While the loan agreement could specify a “permitted purpose”, the loan is essentially required for the construction phase; “the future direction of the cyber centre” could not reasonably be scoped and defined within the loan agreement as something which, in default, triggers loan repayments. In any event, upon full satisfaction of the loan repayments, the council would have no more rights of access or involvement.
	Council does not have any proactive mechanism to

	shape the future direction of the cyber centre
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## Option 5

### Council grants lease to University and makes grant to University

Advantages	Disadvantages
Council makes HEZ site available for a key cyber asset	
Council receives commercial lease premium for the site	Lease can only regulate activity through a “permitted user” clause, does not provide a proactive mechanism to shape the future direction of the cyber centre
	Council does not receive any financial return on its investment
	Council does not have any proactive mechanism to shape the future direction of the cyber centre, or secure its investment except through a grant clawback mechanism

## Option 6

### Council establishes corporate joint venture with the University as shareholding company, makes lease and loan to joint venture corporate entity, takes ongoing role in future direction/strategy

Advantages	Disadvantages
Council makes HEZ site available for a key cyber asset	
Council receives commercial lease premium for the site	
Council receives commercial return on its loan	
Council joins company as a minority shareholder, securing Board voting rights and shareholders’ veto on key matters. Gives council a proactive mechanism to share the future direction of	<p>Council may be outvoted on matters which are non-key.</p> <p>Council will be involved in managing risks which sit legally with the company eg</p>

the cyber centre and to secure its investment and a financial and non-financial return on its investment	grant clawback risk if grant outputs are not met.  Council needs to maintain an active presence and commit sufficient personnel to ensure it is making an effective contribution
University, as majority shareholder and a key user of the building, commits to underwriting build costs, providing working capital and provision of staff resources to establish the company	
Clear legal structure which is flexible and marketable and recognised by other investors	Exit or dispute resolution from within a corporate structure will require careful management and future legal advice.

### **Option 7**

**As option 6 but another corporate structure instead of a company limited by shares. This could be: limited liability partnership or company limited by guarantee.**

**Legal advice received by the University and the Council confirms other forms of corporate structure do not meet all requisite legal requirements.**

## Review of the proposal against the Partnership Governance Framework

### Tests to establish whether a partnership is needed

Can the objectives, outcomes and benefits of the partnership be clearly expressed and linked to council strategies and priorities?	The objectives, outcomes and benefits of the company are clearly expressed and link to the council's priority to support the growth of our economy
Will the benefits of the partnership outweigh the costs when compared to other arrangements, including issues such as co-ordination of activity and resources?	This partnership will bring a significant external investment to the county, providing a new economic asset for local businesses to utilise and benefit from.
What is the resource impact and who will meet the costs of delivery, and of strategic and operational management?	<p>The council's financial contribution is defined. No ongoing resource implications are anticipated. The university will underwrite the construction costs and provide working capital to support the company in setting up the centre; strategic and operational management is overseen by the board of the company and will be costed from the revenue generated by the centre</p> <p>There could will receive a lease rental, on commercial terms. The council will provide a loan on commercial terms including charging interest.</p>
Can the partnership provide ongoing and robust compliance with statutory and regulatory requirements?	The company will be regulated by the Companies Act 2006 and company law generally. The company's operation will be governed by a contractually binding shareholders agreement. The company will comply with the Nolan Standards of Public Life.
Are there alternative delivery arrangements that could be considered?	There are alternative delivery arrangements that could apply – these are set out in the options appraisal and in separate legal advice. However these would not provide the combined input and influence of both partners this proposal would provide.
Is there a shared vision and purpose across the partners, or is it dominated by one partner?	There is a shared vision for the company and cyber centre, which will be enshrined in the governance. The shareholding majority will be held by the university, but the shareholders' agreement will ensure that the council secures a right to approve key

	decisions and to maintain representatives on the Board of Directors.
Are there a clear set of jointly agreed goals with respective values, capabilities and capacity of partners understood by all?	The overall goals of the company are already clear but will need to be translated into measurable actions as part of the development of the detailed business plan for year 1, against which the company will be performance managed by the shareholders.

### Review of proposal against partnership principles

Shared understanding – partners should formally agree and record how the partnership operates. This will include: structure, purpose and aims, activities, roles and responsibilities, membership, regulatory framework, dispute resolution, timeframe for operation and exit strategy. Relevance to the agreed purpose and expected outcomes should be maintained during the lifespan of the partnership.	The partnership structure will be established in the company articles of association and shareholders' agreement. This will include purpose, activities, details of membership, respective roles and responsibilities, accounts and accountability, and exit from or the termination of the company.
Accountability – partnerships should account for their actions through reporting, meetings, oversight and scrutiny of performance and regulatory compliance, openness and engagement, and complaints and redress processes.	The company structure will set out board meeting arrangements and frequencies. Each party has representation on the board. This will review performance against an annual business plan.
Decision-making – there should be clearly allocated roles, responsibilities and accountabilities, open and transparent processes such as records of delegated authority and decisions taken, and effective scrutiny.	The roles and responsibilities of each party in the company will be defined. Day to day management of the company will be by a board – meetings and decisions will be recorded. Key decisions will be reserved to the shareholder organisations for unanimous consent.
Value for money – costs and benefits should be understood and monitored to ensure that the partnership continues to provide value for money over alternative arrangements	The construction contract has been competitively tendered and guided by professional advice. The operation of the company will be subject to an annual business plan which will set out company costs for consideration by shareholders.
Corporate governance processes – To ensure high quality cost effective operation to meet agreed priorities, proportionate processes should be in place for managing issues such as risk, performance, finance, and information. These should be periodically reviewed during the lifespan of the partnership	The company will have a board made up of shareholder nominations, responsible for the day-to-day management of the company. An annual business plan will be prepared, and progress against financial and operational targets will be reviewed at each board meeting.

<p>Standards – high standards of conduct and leadership of the partnership should be agreed to ensure the needs of all partners are met, conflicts of interest can be identified and managed, differences are respected, disputes may be resolved quickly and effectively and public confidence in the way in which the partnership operates can be maintained</p>	<p>The company arrangements will include details on roles and responsibilities for each party and voting arrangements on dealing with deadlock. The company will be subject to a shareholders' agreement and will operate in accordance with Company law and Nolan Standards of Public Life.</p>
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