

Title of report: Wye Valley Trust (WVT) Investment Partnership Model

Meeting: Cabinet

Meeting date: Thursday 28 March 2024

Report by: Cabinet member economy and growth

Report by: Director of Resources and Assurance

Report author: Head of Chief Executive's Office

Classification

Open

Decision type

Key

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Wards affected

Central;

Purpose

To agree an increase in value offered as an investment to Wye Valley Trust to enable the development of an Education Centre at Hereford County Hospital. To further explore options around a strategic investment partnership and bring a business case back to cabinet for approval in Autumn 2024.

Wye Valley Trust produced a cost plan in July 2023 which has been uplifted to reflect an estimate of price increases applicable to the scheme in order to arrive at a realistic assessment of total costs. Based on these costs at this point in the process WVT have anticipated they would require a loan of £15million from Herefordshire Council.

Recommendation(s)

That:

- a) **Cabinet to note progress on the development of the business case to enable the development of an Education Centre at Hereford County Hospital and the potential increase of the capital investment up to £15million subject to final approval of business case and funding.**

Alternative options

1. Do nothing option (Business As Usual) – If Herefordshire Council decide not to loan Wye Valley Trust the funds required to build the Education Centre it would delay the project considerably whilst the Trust sourced other funding opportunities.

Key considerations

2. In July 2023, [cabinet](#) agreed the principle of Herefordshire Council investing in a project where the council is in partnership with Wye Valley Trust (WVT) to enable the development of an Education Centre at Hereford County Hospital. At this time cabinet authorised the Director of Resources and Assurance in consultation with the Portfolio Holder for Economy and Growth to sign heads of terms for both parties to agree the principles and to further explore options around a strategic investment partnership and bring a business case back to cabinet for approval. The business case is currently in development and expected to come back to cabinet in September 2024.
3. Herefordshire Council has a strong interest in the positive success of this project as we want to maximise learning opportunities for learners across all sectors and services. We believe that by enabling WVT to achieve the building of this centre through a loan agreement we will contribute towards state of the art teaching facilities, increased capacity for multi-professional education, equitable training and development opportunities and space and facilities for community wellbeing programmes. WVT is committed to providing this Education Centre which in turn will play a critical role supporting the recruitment and retention of staff.
4. The Education Centre is set to fulfil the following aims:
 - a) Deliver high quality multi professional education, supported by one integrated team
 - b) Make education accessible to all staff, from our most junior students across all sectors and services
 - c) Provide access to equitable, high quality support for all learners, aligned with current education programmes. Plus, ensuring adequate preparation for the future healthcare careers
 - d) Maximise the passion, expertise, strengths and commitment of the education infrastructure and wider partnership networks
 - e) Provide essential education, training, support and services to benefit the whole of the Hereford Community.
5. In July 2023 the known estimated costs were £6million, due to inflation and construction pressures, the loan figure required from Herefordshire Council is now £15million. The total cost for the scheme is £17.5m, this is proposed to be made up from £15m from Herefordshire Council, £2.5m from Charitable Funding. This is subject to potential changes if more funding becomes available to WVT through other sources of funding.

6. A number of options have been modelled to reflect the cost of loan financing which allow for variables relating to loan value, duration and interest rate to be included in calculations.
7. WVT aim to make the Trust a destination for students and staff for high-quality education, a lasting positive experience and to support the recruitment and retention of staff. The proposed development is to expand and enhance the education delivered by building a dedicated education and training facility on the County Hospital site.
8. The Trust is set a capital financing limit known as Capital Departmental Expenditure Limit (CDEL) which governs the maximum amount of investment that the Trust can make from its own resources. Wye Valley Trust are currently completing work around this to inform the business case.
9. Under the current rules, funding obtained from other sources (such as local authorities) is counted against the Trust's CDEL limit. The Trust is currently engaged with NHS England to evaluate options around the Trust to borrowing from this source on the basis that it can demonstrate capacity to repay the loan. The business case will demonstrate this viability.
10. The overall project viability will also be linked to a successful planning application which will be completed in due course running parallel to the business case development. Cabinet will be kept inform of this progress.
11. A further cabinet decision will be taken on the business case in September 2024 and funding submission following full approval from the Wye Valley Trust Board.

Community impact

12. Wye Valley NHS Trust aim to make this facility available to the local community in order to encourage and foster mutually beneficial links with a wide range of community groups, including other Herefordshire education providers, patients, and the public.

Environmental Impact

13. This decision / proposal seeks to deliver the council's [environmental policy commitments](#) and aligns to the following success measure in the County Plan.

- **Work in partnership with others to reduce county carbon emissions**

14. Herefordshire Council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.

The development of this project will seek to minimise any adverse environmental impact and will actively seek opportunities to improve and enhance environmental performance.

Equality duty

15. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
16. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. Our providers will be made aware of their contractual requirements in regards to equality legislation.

Resource implications

17. WVT has a dedicated corporate Project Team which was set up in February 2021 with the Trust Chief Strategy and Planning Officer as Senior Responsible Office (SRO). This team meets fortnightly and encompasses all of the major stakeholders in the scheme. This project reports into the Trust Capital Programme Board chaired by the Trust Managing Director.

Title	Role
Chief strategy and planning officer	SRO and Chair
AMD Education and Consultant Paediatrician	
Associate Director of Education/OD and Workforce Transformation, Education and Development	
Chief People Officer	
Capital Projects Manager	
Head of Business Development	Project Manager/Support & Business Case
Senior Finance Manager – Capital and Planning	Finance - Capital
Senior Finance Manager, Corporate, Estates & Consolidation	Finance - Revenue
Fundraising Campaign Director, Corporate	Fundraising
Senior Manager for Learning and Development, Training & Education (Hoople Ltd)	
Architectural Lead – IT Services (Hoople Ltd)	
Communications & Engagement Manager	Communications lead

18. Any council project resources and legal requirements will be absorbed within the council's revenue budgets.

Capital Cost	2024/25	2025/26	2026/27	Future Years	Total
Loan to WVT		£15,000,000		£000	£15,000,000
Total		£15,000,000		£000	£15,000,000

Funding streams (indicate whether base budget / external / grant / capital borrowing)	2024/25	2025/26	2026/27	Future Years	Total
HC Prudential Borrowing		£15,000,000	£000	£000	£15,000,000
TOTAL		£15,000,000	£000	£000	£15,000,000

19. The Full Business Case will be brought to Cabinet in autumn 2024 after full approval from the Wye Valley Trust Board subject to getting agreement around the CDEL cover.
20. The current profiling is based on the known information to date – this could change pending the full business case submission and funding approvals.
21. The interest on prudential borrowing loan will be fully repaid over the repayment terms following sign off of the business case.

Legal implications

22. The full business case produced by WVT will need to be considered at that time and legal advice provided as part of the future decision making.
23. The further decision making will require a decision by cabinet and will include commitments such as the development model/loan financing to be used together with guarantees/security from WVT.
24. In addition, where an economic actor receives a financial benefit that other operators in that market have or will not receive (such as interest rates not available on the open market) then the council will need to consider the application of the Subsidy Control Act 2022 and where necessary, publish details of any subsidy.

Risk management

25. Risks relating to the recommended action (and alternative options), their consequences and mitigating actions.

Risk / opportunity	Mitigation
Project cannot be financed sustainably	Discussion for finance options held with HC Accountants
Unable to get planning consent on new centre	Pre-app advise has been undertaken to mitigate risks
Design does not meet client requirements	Establish a considered project brief, budget, outcomes. Use proven designers. Appoint WVT internal design and use group.
Increasing costs during construction	Contractual terms with Main Contractor to limit cost variation. Allow sufficient contingency. Use cost consultant / PM
Delays to construction programme	Thorough procurement process appoints highly competent Contractor, comprehensive design and programme preparation, clear outcomes, high quality Project Management
Compliance with Building Regulations	Thorough procurement process appoints highly competent Contractor, comprehensive design and programme preparation, clear outcomes, high quality Project Management
Main contractor stops trading	Thorough ProCure23 process includes contractor finances. WVT to consider insuring risk.

Consultees

26. The principle of Herefordshire Council investing in an initiative where the council is in partnership with Wye Valley Trust (WVT) was agreed at the July 2023 Cabinet. Cabinet members discussed the report and it was noted that:
- a. The heads of terms would be agreed on the basis that there are no revenue budget pressures on the council and the investment model would be prepared as part of that business case.
 - b. The arrangement would be revenue neutral and no risks had been identified at this early stage, as the proposal develops the risks would be assessed and addressed in the business case.
 - c. Group leaders generally welcomed the report, positivity was drawn to the reduction in patients needing to travel out of the County to specialist hospitals for treatment and skills development and investment in the Health Service

27. Cllr Graham Biggs, Cabinet Member Economy and Growth, said: "One of the Council's priorities is to strengthen and expand our partnership working across the county as an enabler for economic growth and improving our local base of professional skills. This development, if it comes to fruition, will provide an exemplar facility which will facilitate partnership working across patient and service user groups, public service and education, as well as the charity and voluntary sector. The proposals are very exciting, and would lead to the creation of a vibrant learning space and community hub for Herefordshire. It is my pleasure to approve the preparation of a business case, and I look forward to hearing more once this business case has been prepared."
28. The Wye Valley Trust Board have been consulted reference the content of the paper and the council are working closely with the Chief Strategy and Planning Officer. Both are in full support of the proposals.
29. Councillor Stoddart, Cabinet member for Finance and Corporate Services was consulted with at a cabinet member briefing and he was satisfied with the proposals.

Appendices

None

Background papers

20th [July Cabinet](#) 2023

[Education Centre Brochure](#)

Report Reviewers Used for appraising this report:

Governance	John Coleman	Date 12/03/2024
Finance	Judith Tranmer	Date 08/03/2024
Legal	Luke Coughlan Emma-Jane Brewerton	Date 08/03/2024 Date: 08/03/2024
Communications	Luenne Featherstone	Date 02/03/2024
Equality Duty	Harriet Yellin	Date 08/03/2024
Procurement	Carrie Christopher	Date 11/03/2024
Risk	Kevin Lloyd	Date 04/03/2024
Approved by	Andrew Lovegrove	Date 14/03/2024

Glossary

CDEL – Capital Departmental Expenditure Limit

WVT – Wye Valley Trust

HC – Herefordshire Council

NHS – National Health Service