

**NORTHUMBERLAND, TYNE AND WEAR NHS FOUNDATION TRUST**

**BOARD OF DIRECTORS' MEETING**

**Meeting Date:** 24 June 2015

**Title and Author of Paper:** Approval of Loan to Support 15/16 Capital Programme, Dave Rycroft, Deputy Director of Finance

**Paper for Debate, Decision or Information:** Decision

**Key Points to Note:**

- This paper outlines the requirements for a loan of £7.5m from the Independent Trust Finance Facility (ITFF) to support this year's capital programme.
- This loan is for schemes that support the transformation of community services and in-patient developments.
- The proposed loan is for 25 years with an expected interest rate of around 2.5%.
- Loan repayments will be £300k per year starting in 16/17. With initial annual interest payments of around £190k that will reduce over the life of the loan as the loan is paid off.
- The Board is asked to approve the Loan, authorise the Deputy Chief Executive/Director of Finance to sign the agreement and authorise the Chief Executive and/or the Deputy Chief Executive/Director of Finance or Acting Deputy, on its behalf, to sign and/or despatch all documents and notices (including any Utilisation Requests) in relation to the Loan.

**Outcome required:** Approval by the Board of Directors to take out a loan of £7.5m over 25 years from the Independent Trust Finance Facility and to authorise the Deputy Chief Executive/Director of Finance to execute and sign the Loan Agreement on its behalf.

## **APPROVAL OF LOAN TO SUPPORT THE 15/16 CAPITAL PROGRAMME**

### **1. Purpose of Paper**

This paper outlines the requirements for a loan from the Independent Trust Finance Facility (ITFF) to support this year's capital programme and requests the Board of Directors to:-

- a) approve the terms of, and the transactions contemplated by, the Finance Documents (Loan Agreement) to which it is a party and resolve that it executes the Finance Documents (Loan Agreement) to which it is a party;
- b) authorise a specified person or persons to execute the Finance Documents (Loan Agreement ) to which it is a party on its behalf; and
- c) authorise a specified person or persons, on its behalf, to sign and/or despatch all documents and notices (including, if relevant, any Utilisation Request and) to be signed and/or despatched by it under or in connection with the Finance Documents (Loan Agreement) to which it is a party.

### **2. Background**

In March, the Board approved the Trust's financial plans and in May the Trust submitted its 2015/16 Operational Plan to Monitor. These plans included the Trust's capital investment programme and planned loan requirements to support this investment.

In February, the Board approved taking out a loan of £3m to support community premises developments in the 14/15 capital programme. This loan is to support the community premises and in-patient developments in the 2015/16 capital programme that are supporting the Trust's transformation programmes.

### **3. Loan Requirements**

The value of the proposed loan for 2015/16 is £7.5m. This is to support forecast spend of £4.5m on in-patient developments and £3.0m on community premises.

A further loan will be required in 16/17 to support next year's capital programme.

#### 4. Loan Terms

The main terms of the loan are:-

- a) It is proposed that the loan would have a 25 year term.
- b) Utilisation – The loan would be drawn down as follows:-

##### ANTICIPATED DRAWDOWN SCHEDULE

£'000s	Q1	Q2	Q3	Q4	Totals
2015/16	0	3,100	2,100	2,300	7,500
					7,500

- c) Interest Rate - The interest rate will be the National Loans Fund EIP rate prevailing on the date of the Loan Agreement for the term of the Facility. The rate at the 16<sup>th</sup> June was 2.41%.

The Loan has been discussed with the Independent Trust Finance Facility and subject to a satisfactory financial assessment the loan should receive approval. A Loan Agreement, containing the same loan clauses as for previous loans, will then be sent to the Trust.

#### 5. Board Approval

The Board of Directors is asked to approve the Trust taking out a £7.5m loan over 25 years to support the Trust's transformation programme and delivery of its capital programme in 15/16 and specifically:-

- a) to approve the terms of, and the transactions contemplated by, the Loan Agreement and to resolve to execute the Loan Agreement;
- b) to authorise the Deputy Chief Executive/Director of Finance to execute and sign the Loan Agreement on its behalf; and
- c) to authorise the Chief Executive and/or the Deputy Chief Executive/Director of Finance or Acting Deputy, on its behalf, to sign and/or despatch all documents and notices (including, if relevant, any Utilisation Request and) to be signed and/or despatched by it under or in connection with the Loan Agreement.

**Dave Rycroft**  
**Deputy Director of Finance**  
**16 June 2015**