

NORTHUMBERLAND TYNE AND WEAR NHS FOUNDATION TRUST

BOARD OF DIRECTORS MEETING

Meeting Date: 25 February 2015

Title and Author of Paper: Approval of Loan to Support 14/15 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 £3m from the Independent Trust Finance Facility (ITFF) to support this year's capital programme.
- This loan is for community services schemes and other schemes not in plans at the start of the year.
- The arranged loan is for 25 years with an expected interest rate of around 2.0%.
- Loan repayments will be £120k per year starting in 15/16. With initial annual interest payments of £60k 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 £3m over 25 years from the Independent Trust Finance Facility and authorise the Deputy Chief Executive/Director of Finance to execute and sign the Loan Agreement on its behalf.

APPROVAL OF LOAN TO SUPPORT THE 14/15 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

The Trust submitted its 2014-2016 Operational Plan to Monitor on 4 April 2014. These plans included the Trust's capital investment programme and planned loan requirements to support this investment. The loans planned were:-

- 1) New Autism In-patient Unit - £10m
- 2) In-Patient Developments to support transformation- £22.7m

Since the plans were submitted there has been slippage on the capital programme. The slippage has been on both the Autism project, which is now about to start, and on in-patient developments which have been delayed due to the on-going discussions with CCGs about the preferred bed model. However, this slippage has been partially offset by additional spend on premises for community services. Due to the delays in agreeing the bed model and associated projects a loan application has not been made for the in-patient developments. However, to support this year's overall capital programme and facilitate the planned level of spend a further loan is required from the Independent Trust Finance Facility (ITFF).

3. Loan Requirements

The tables below summarise our planned capital spend and funding included in our operational plans submitted at the beginning of the year and our current draft operational plans for this year's Monitor submission.

Capital Spend & Source of Funding (2014 -16 Operational Plan)

	14/15	15/16	16/17	Total
	£m	£m	£m	£m
Capital Programme	25.6	23.9	9.3	58.8
Funding				
Loans				
Autism	6.0	4.0		10.0
In-Patients	8.7	11.9	2.1	22.7
Total - Loans	14.7	15.9	2.1	32.7
Internal Funding				
Depreciation	5.7	6.8	7.5	20.0
Cash	5.2	1.2	(0.3)	6.1
Total - Internal Funding	10.9	8.0	7.2	26.1
Total - Funding	25.6	23.9	9.3	58.8

Capital Spend & Source of Funding (Draft 2015 Operational Plan)

	14/15	15/16	16/17	Total
	£m	£m	£m	£m
Capital Programme	15.7	23.1	17.2	56.0
Funding				
Loans				
Autism	1.6	8.4		10.0
In-Patients	0.0	5.6	12.4	18.0
Capital Programme Support	3.0	4.4	0.6	8.0
Total - Loans	4.6	18.4	13.0	36.0
Internal Funding				
Depreciation	5.9	6.2	6.7	18.8
Cash	5.2	(1.5)	(2.5)	1.2
Total - Internal Funding	11.1	4.7	4.2	20.0
Total - Funding	15.7	23.1	17.2	56.0

The Trust's original plans were based on using £5.2m of Trust cash to support this year's capital programme. A £3.0m loan in 2014/15 to support the capital programme would mean that the Trust's level of support would remain at this level.

A further loan may be requested in 15/16 to support the capital programme rather than use Trust cash and the proposed value of this loan will be finalised before the final operational plan is approved in March.

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 next month (March 15).
- 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 17th February was 2.05%.

The Loan has been approved by the Independent Trust Finance Facility and the Loan Agreement showing all the loan clauses is in the process of being sent to the Trust.

5. Board Approval

The Board of Directors is asked to approve a £3m loan over 25 years to support the Trust's transformation programme and delivery of its revised capital programme in 14/15 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
17 February 2015