

**Northumberland, Tyne and Wear NHS Foundation Trust**

**Board of Directors Meeting**

**Meeting Date:** 22 February 2017

**Title and Author of Paper:** Approval of Loan to Support 16/17 Capital Programme. Dave Rycroft, Deputy Director of Finance

**Executive Lead:** James Duncan, Deputy Chief Executive/Executive Director of Finance

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

**Key Points to Note:**

- This paper outlines the requirement for a loan of £1.5m 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 1.7%.
- Loan repayments will be £60k per year starting in 17/18. With initial annual interest payments of around £25k that will reduce over the life of the loan as the loan is paid off.
- The central approval process has changed and NHS Improvement as well as the ITFF now need to approve loans. The ITFF have indicated that they would support this loan. However, there is a risk that it will not be approved by NHS Improvement.
- The Board is asked to approve taking out 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.

**Risks Highlighted to Board:** Loan might not be approved by NHS Improvement which will have an impact on the Trust's cash position.

**Does this affect any Board Assurance Framework/Corporate Risks?**

**Please state Yes or No:** No

**Equal Opportunities, Legal and Other Implications:** None

**Outcome required:** Approval by the Board of Directors to take out a loan of £1.5m 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.

**Link to Policies & Strategies**

## APPROVAL OF LOAN TO SUPPORT THE 16/17 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

Last March, the Board approved the Trust's financial plans and in June the Trust submitted its 2016/17 Operational Plan to Monitor. These plans included the Trust's capital investment programme and planned loan requirements to support this investment.

In June 2015, the Board approved taking out a loan of £7.5m to support in-patients and community premises developments in the 15/16 capital programme. Due to slippage on some of the planned schemes, £3.5m of this loan was drawn down in 15/16 with the balance being drawn down this financial year. This loan is to support the community premises and in-patient developments that have been progressed as part of the 2016/17 capital programme that are supporting the Trust's transformation programmes.

### 3. Loan Requirements

The value of the proposed loan for 2016/17 is £1.5m. This is to support forecast spend of £2.3m on in-patient developments and £3.2m on community premises and is the balance required on top of the £4m drawn down from the 15/16 loan.

A further loan is planned for 17/18 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
2016/17	0	0	0	1,500	1,500
					1,500

- 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 10<sup>th</sup> February was 1.69%.

The Loan has been discussed with the Independent Trust Finance Facility and subject to a satisfactory financial assessment the loan should receive their approval. If approval is also given by NHS Improvement, 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 £1.5m loan over 25 years to support the Trust's transformation programme and delivery of its capital programme in 16/17 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**  
**10 February 2017**