

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

**Board of Directors Meeting**

**Meeting Date:** 25 October 2017

**Title and Author of Paper:** NTW Solutions Limited - Phase 2  
Malcolm Aiston – Managing Director, NTW Solutions Limited

**Executive Lead:** Trust Board

**Paper for Debate, Decision or Information:** Decision - to agree the proposal to implement Phase 2 of NTW Solutions Limited.

**Key Points to Note:**

- at the Trust Board meeting in September 2017, approval was given to complete the remaining steps to enable Phase 2 of the development of NTW Solutions Limited to be implemented from 1<sup>st</sup> November 2017
- the attached paper provides an update on the identified property leases that would transfer from the Trust to NTW Solutions and the resulting Phase 2 funding arrangements
- as previously reported in September, approval to expand the Operated Healthcare Facility model in Phase 2 would benefit the Trust through the provision of a more uniform and efficient service from NTW Solutions. It would also contribute to the delivery of the Trust's Operational Plan, which included a target of £1.5m of recurring savings in 2017/18, rising to £3m in 2018/19 being delivered by NTW Solutions.
- if approved by the Board, the completion of the legal documentation is described

**Risks Highlighted to Board :**

- The Group's Financial Delivery Plan would need to be revised if Phase 2 did not proceed on 1 November 2017

**Does this affect any Board Assurance Framework/Corporate Risks?** Please state Yes or No: Yes

If Yes please outline –

- failure to participate and influence regional developments relating to Carter and Back Office functions resulting in imposed changes to corporate functions and arising recruitment and retention issues (BAF: SA3.3)
- that we do not manage our resources effectively through failing to deliver the required service change or productivity gains required (BAFSA4.2)

**Equal Opportunities, Legal and Other Implications:**

- Bond Dickinson employed as legal advisers to ensure legal compliance

**Outcome Required:** The Board is asked to:

- approve the transfer of assets to NTW Solutions Limited and the funding arrangements described in this paper;
- to resolve that this is in fulfilment of the Trust's principal purpose and in fulfilment of making additional income available in order to carry out the Trust's principal purpose; and that this is within the powers of the Trust under the Health and Social Care Act 2003
- to pass the resolution from NTW Solutions Limited regarding the issuing of additional shares to the Trust; and
- to identify and authorise two directors to sign the documents listed in the schedule of relevant documents, on behalf of the Trust

**Link to Policies and Strategies:** Operational Plan, Financial Delivery Plan, Workforce Strategy

## NTW SOLUTIONS LIMITED – PHASE 2 APPROVAL

### 1. Background and Purpose

At the Trust Board of Director's meeting on 27 September 2017, approval was given to complete the remaining steps to enable Phase 2 of the development of NTW Solutions Limited to be implemented from 1<sup>st</sup> November 2017.

This paper updates the Trust Board on:

- progress with legal arrangements for the transfer of identified property leases from the Trust to NTW Solutions, enabling these to be managed as "Operated Healthcare Facilities" by NTW Solutions;
- the Phase 2 funding arrangements as a result of the above; and
- describes the next steps to complete and execute the legal documentation

### 2. Review of Properties to Lease to NTW Solutions

In September, it was reported that 26 properties had been identified to be leased by NTW Solutions but it was noted that there were ongoing discussions between NTW Solutions, legal advisors and third party landlords in order to complete the legal arrangements for a few of these properties. Following further discussion regarding lease transfers, the proposed Phase 2 properties are identified in **Appendix 1**. This is the same as reported in September, with the exception of the following change(s):

- Wellington House, Blyth has been omitted following consideration of longer term value for money for the Trust and NTW Solutions if this lease was transferred;
- Chad House, Hexham has been omitted as this would require a longer period to complete legal arrangement; and
- The payment for the Ravenswood Clinic, Lobley Hill Clinic, Elm House and Wallace Green properties will now be financed through a premium payment by the Company to the Trust, rather than an annual rent.

### 3. Review of Phase 2 Financial Model

The paper considered at the September Trust Board meeting set out the financial values and funding arrangements relating to Phase 2, assuming that the leases for all of the 26 identified properties would be able to be transferred. As the above properties are not being taken forward as part of Phase 2, the asset transfer value and financial model have been revised accordingly, as below:

Assets	Values (September)	Revised Values
Land and Buildings (24.5 year leasehold – 10 properties)	£4.8m	£4,814,780
Furniture, Plant and Equipment (for all Phase 2 sites)	£0.6m	£441,538
Total	£5.4m	£5,256,318

The funding of the transfer of assets would, as previously reported, be through a combination of a loan from the Trust, equity funding and a one-off cash payment. The financial model is based on a 70 to 30 debt to equity ratio, as in Phase 1. In line with the leasehold term, the loan would be based on twenty four years and five months with the flexibility for “bullet” repayments of capital. A commercial interest rate of 3.5% would apply. The loan of 70% would be £3,679,423 but a one-off cash payment of £1.0m by the company to the Trust reduces the loan to £2,679,423.

The shares issue would have a value of £1,576,895 for the Trust’s 30% equity shareholding in the subsidiary. The written resolution at Appendix 2 allows for a maximum aggregate amount of shares to the value of £1.6m, for flexibility.

#### 4. Next Steps

The Trust Board is asked:

- to consider approval of the transfer of assets to NTW Solutions and the funding arrangements described in this paper;
- to resolve that this is in fulfilment of the Trust’s principal purpose and in fulfilment of making additional income available in order to carry out the Trust’s principal purpose; and that this is within the powers of the Trust under the Health and Social Care Act 2003

If so approved, the Trust Board is asked:

- to pass the attached resolution from NTW Solutions Limited regarding the shares issue at **Appendix 2**; and
- to identify and authorise two directors to sign the documents listed in the attached schedule of relevant documents at **Appendix 3** on behalf of the Trust.

APPENDIX 1

Property	
Howard Centre, Morpeth	Freehold or Finance Leased assets. Premium payment will be made for a twenty four years and five month leasehold interest (£4.2m net of VAT)
Dryden Road, Gateshead	
Hawkeys Lane, North Shields	
Ashmore House, Ashington	
Plummer Court, Newcastle	
Benfield House, Newcastle	
Ravenswood Clinic, Newcastle	Freehold or Finance Leased assets. To be leased over twenty four years and five month leasehold interest but with break clauses as there is a level of uncertainty about future use of these properties. Premium payment will be made for a twenty four years and five month leasehold interest (£0.6m net of VAT).
Lobley Hill Clinic, Gateshead	
Elm House, Gateshead	
Wallace Green, Berwick	
10 Bailiffgate, Alnwick	Transfer of existing Trust leases with other landlords to NTW Solutions, with existing lease periods retained. Therefore current leases will end at various times.
Anderson Court, Berwick	
22-26 Bowes Street, Blyth	
2 Sextant House, Blyth	
West Farm House, Cramlington	
Hawkhill, Alnwick	
Benton House Ground / Part first, Newcastle	
Benton House part first, Newcastle	
5 Sextant House, Blyth	
6 Sextant House, Blyth	
Empire House, Houghton le Spring	
4-6 Mary Street, Sunderland	
Vermont House, Washington	

Oxford Centre CMHT, Longbenton	
Oxford Centre AOT, Longbenton	
Teleport House, Sunderland	

**COMPANY NUMBER: 10458774**

**THE COMPANIES ACT 2006**

**COMPANY LIMITED BY SHARES**

**WRITTEN RESOLUTION**

**OF**

**NTW SOLUTIONS LIMITED**

**CIRCULATION DATE: 18 OCTOBER 2017**

Pursuant to Chapter 2 of Part 13 of the Companies Act 2006 (as amended), we the undersigned being the sole eligible member of the Company entitled to receive notice of and to attend and vote at general meetings of the Company on the above circulation date hereby pass the following resolution as a written resolution and agree that if duly passed, it shall for all purposes be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held.

**ORDINARY RESOLUTION**

1. That the directors be generally and unconditionally authorised for the purpose of section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot or grant rights to subscribe for or to convert any security into shares in the Company up to a maximum aggregate nominal amount of £1,600,000 during the period from the date of the passing of this resolution until the 2 November 2017 and for the purposes of this resolution, the directors may not, before the expiry of such period, make offers or agreements before such expiry which would or might require the making of allotments after such expiry.

Signatures of eligible members or persons signing on their behalf:

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for and on behalf of Northumberland Tyne & Wear NHS Foundation Trust

Name

Date:

**NOTE**

An ordinary resolution will be passed once members representing a simple majority of the total voting rights of eligible members signify their agreement to it. A special resolution will be passed once members representing 75% of the total voting rights of eligible members signify their agreement to it. In each case, the requisite percentage must be achieved within the period of 28 days beginning on the circulation date specified above.

If you agree to the resolutions, please indicate your agreement by signing and dating this document where indicated above and returning it to the Company by hand delivery, post, fax or email.

**SCHEDULE**

**Relevant Documents – Phase 2**

The Asset Transfer Agreement and its Schedules between (1) Trust and (2) Company. This document deals with the transfer to the Company of all assets (eg properties, contracts, vehicles, plant and machinery) that the Company requires in order to provide the Services and the value of the assets which is to be paid by the Company to the Trust. This is paid for by the Company by way of a loan from the Trust and a share issue to the Trust.

The Operated Healthcare Facilities Agreement and its Schedules between (1) Trust and (2) Company. This document deals with the provision of the services by the Company to the Trust in order to provide an operated healthcare facility at each relevant site. A separate specification for each service with appropriate KPIs is included in the agreement. The Trust is obliged to pay the agreed charges for the Services received.

The Loan Agreement between (1) Trust and (2) Company and ancillary documents. This document deals with the loan from the Trust to the Company in order for the Company to pay for the assets under the Asset Transfer Agreement and the premium under the Lease. The term of the loan is 24 years and 5 months and the interest rate on the loan is 3.5%.

The Lease of the Howard Centre, Morpeth between (1) Trust and (2) Company. This document deals with the transfer of the property to the Company under a lease. This will include a premium payment payable by the Company to the Trust. The Lease terminates automatically if the Operated Healthcare Facilities Agreement is terminated for any reason.

The Lease of Dryden Road Hospital, Dryden Road, Gateshead, between (1) the Trust and (2) Company. This document deals with the transfer of the property to the Company under a long term lease. This will include a premium payment payable by the Company to the Trust. The Lease terminates automatically if the Operated Healthcare Facilities Agreement is terminated for any reason.

The Lease of 26a Hawkey's Lane between (1) Trust and (2) Company. This document deals with the transfer of the property to the Company under a long term lease. This will include a premium payment payable by the Company to the Trust. The Lease terminates automatically if the Operated Healthcare Facilities Agreement is terminated for any reason.



The Lease of Ashmore House, Green Lane, Ashington between (1) Trust and (2) Company. This document deals with the transfer of the property to the Company under a long term lease. This will include a premium payment payable by the Company to the Trust. The Lease terminates automatically if the Operated Healthcare Facilities Agreement is terminated for any reason.

The Lease of Plummer Court, Carlol Place, Newcastle between (1) Trust and (2) Company. This document deals with the transfer of the property to the Company under a long term lease. This will include a premium payment payable by the Company to the Trust. The Lease terminates automatically if the Operated Healthcare Facilities Agreement is terminated for any reason. The Lease of Benfield House, Benfield Road, Newcastle between (1) Trust and (2) Company. This document deals with the transfer of the property to the Company under a long term lease. This will include a premium payment payable by the Company to the Trust. The Lease terminates automatically if the Operated Healthcare Facilities Agreement is terminated for any reason.

The Lease of Ravenswood Clinic, Ravenswood Road, Newcastle between (1) Trust and (2) Company. This document deals with the transfer of the property to the Company under a long term lease, with break clauses. This will include a premium payment payable by the Company to the Trust. The Lease terminates automatically if the Operated Healthcare Facilities Agreement is terminated for any reason.

The Lease of Lobley Hill Clinic, Lobley Hill, Gateshead between (1) Trust and (2) Company. This document deals with the transfer of the property to the Company under a long term lease. This will include a premium payment payable by the Company to the Trust. The Lease terminates automatically if the Operated Healthcare Facilities Agreement is terminated for any reason.

The Lease of Shearer House, Hillfield Street, Gateshead (also known as Elm House) between (1) Trust and (2) Company. This document deals with the transfer of the property to the Company under a long term lease, with break clauses. This will include a premium payment payable by the Company to the Trust. The Lease terminates automatically if the Operated Healthcare Facilities Agreement is terminated for any reason.

The Lease of 15 and 17 Wallace Green, Berwick upon Tweed between (1) Trust and (2) Company. This document deals with the transfer of the property to the Company under a long term lease, with break clauses. This will include a premium payment payable by the Company to the Trust. The Lease terminates automatically if the Operated Healthcare Facilities Agreement is terminated for any reason.

[Note: the transfer of the leases relating to other properties listed in this document will be executed under current Trust protocol]

A Deed of Variation to the original Operated Healthcare Facility Agreement dated 27 March 2017, which updates the Service Level Agreements and Specifications for the services provided by NTW Solutions Limited.