



Department
of Health

Interim Support Finance

Overview of Interim Support finance arrangements for NHS Trusts and NHS Foundation Trusts in receipt of Interim Support from the Department of Health

Title: Interim Support Finance
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Document Purpose: Information
Publication date: March 2015
Target audience: NHS Trust & Foundation Trust Directors of Finance Monitor NHS Trust Development Authority NHS Trust & Foundation Trust Board non-executive members.
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1. Introduction

The department has established a range of financing options available to NHS Trusts and NHS Foundation Trusts (FTs) for providers in receipt of Interim Support.

Interim Support is defined within Secretary of State's guidance under section 42A of the National Health Service act 2006 (Section 42A Guidance)¹. It is used to provide transitional financial support to an FT or NHS Trust in financial difficulty where it is necessary to support the continued delivery of services for a period during which an assessment of the underlying problem is carried out and a Recovery Plan is developed which forecasts a return to a financially sustainable position.

Revised financing arrangements include a range of debt options for NHS Trusts and FTs as well as a new form of Public Dividend Capital (PDC) to finance revenue deficits in NHS Trusts. The products are designed to be used in combination and will be deployed flexibly, on a case by case basis, to reflect the nature of interim financing requirements.

Where an NHS Trust or FT develops an appropriate Recovery Plan which meets the requirements set out in Section 42A Guidance, the department will consider the appropriate treatment for outstanding principal balances based on the affordability of debt to the relevant body. This may include, restructuring repayments, delaying repayment to a future date, cancelling or refinancing part or all of the outstanding balance.

These arrangements reflect that interim support is a transitional arrangement and ensure that the full cost of recovery is considered at the point a Recovery Plan is produced. It is at this stage that the affordability of debt to the relevant body will be considered. The department does not anticipate that organisations will routinely repay principal on revenue support issued as part of the Interim Support period but will expect that all financing is serviced.

In line with Section 42A Guidance, where a trust is in receipt of interim support, the department may also require that a trust board agrees to terms and conditions covering the operational management of the applicant, including but not limited to the implementation of specific proven strategies aimed at reducing costs and/or releasing cash.

¹ <https://www.gov.uk/government/publications/guidance-on-financing-available-to-nhs-trusts-and-foundation-trusts>

2. Overview of financing arrangements

The department has developed five Interim Support financing facilities, three to support revenue requirements and two to support capital requirements. The table below summarises these facilities and their availability. Terms sheets are provided for each product as an annex to this document.

As set out in Section 42A Guidance, the department may provide interim support in the form of debt or PDC on the terms that it considers appropriate in the circumstances. This reflects that the department may vary the terms on which any support is given, either on a general basis or on a case by case basis.

Name	Description	Availability	
		Foundation Trusts	NHS Trusts
Interim Revolving Working Capital Support Facility	Extendable revolving maturity loan provided pending the development of Recovery Plan	Yes	Yes
Interim Revenue Support Loan	Extendable maturity loan provided pending the development of Recovery Plan	Yes	Yes
Interim Revenue Support PDC	Conditional PDC provided pending the development of Recovery Plan	Only in exceptional circumstances	Yes
Interim Capital Support Loan	Capital Loan repayable by equal instalments of principal pending the development of Recovery Plan	Yes	Yes
Interim Capital Support PDC	Conditional Capital PDC linked to essential works in advance of recovery	Only in exceptional circumstances	Only in exceptional circumstances

2.1. Interim Revolving Working Capital Support Facility

This is a revolving maturity loan facility to support interim working capital requirements in advance of the development of a Recovery Plan. This will be available to NHS Trusts and FTs to provide flexibility to cover short term and fluctuating cash requirements. This will be the default alternative to temporary and short term borrowing requirements where Temporary Borrowing Limits (TBLs) may have been used previously. While this facility replaces some of the functions of TBLs, it should not be seen as a like for like replacement and should be considered as a separate product in its own right.

As with all interim funding, Trusts are required to progress the development and agreement of a Recovery Plan as a condition of funding. The facility is available for limits up to 30 days equivalent operating expenditure (based on the last full year audited accounts). Interest will be charged at a rate of 3.5% based on daily outstanding balances.

Interest will be payable to DH every 6 months based on amounts which are confirmed by the department subsequent to any drawing.

Principal will be due for repayment on maturity, and on balances in excess of an agreed maximum cash balance. The agreement will be based on a rolling 2 year maturity and will be renewable but limited by an agreed expiry date.

Re-borrowing is permitted for any amounts paid off during the term of the loan.

The agreement will be confirmed through standard Loan Management Association (LMA) documentation which will require a Board resolution as set out in the terms of the agreement as well as a Board undertaking to comply with any Additional Terms and Conditions that may be included within the agreement.

2.2. Interim Revenue Support Loan

This is a maturity loan facility to support interim working capital requirements in advance of development of a Recovery Plan. This is the default financing option for revenue based requirements for FTs and is also available to NHS Trusts where requested by the Trust or recommended by the TDA. As with all interim funding, Trusts are required to progress the development and agreement of a Recovery Plan as a condition of funding. The limit of the facility will be set by agreement. Interest will be charged at a rate of 1.50% based on daily outstanding balances.

Interest will be payable to DH every 6 months based on amounts which are confirmed by the department subsequent to any drawing.

Principal will due for repayment on maturity. The agreement will be based on a rolling 2 year maturity and will be renewable but limited by an agreed expiry date.

The agreement will be confirmed through standard Loan Management Association (LMA) documentation which will require a Board resolution as set out in the terms of the agreement as well as a Board undertaking to comply with any Additional Terms and Conditions that may be included within the agreement.

2.3. Interim Revenue Support Public Dividend Capital

This is a PDC product to support interim working capital requirements in advance of development of a Recovery Plan. It is available for NHS Trusts and, in very exceptional circumstances may be available to FTs. It replaces permanent PDC previously provided for Interim Support. As with all interim funding, trusts are required to progress the development and agreement of a Recovery Plan as a condition of funding. The limits of the facility will be set by agreement (subject to affordability). As this funding is not serviced through the PDC dividend, a commitment fee will be charged equal to 1% of the total award amount which will be invoiced by DH on the first utilisation of the product.

At the point a Recovery Plan is agreed, the Interim Revenue Support PDC may become repayable. The potential need to repay will also be considered on the second anniversary of the date of each agreement. In addition, the Interim Revenue Support PDC is reviewed every two years and there is no presumption of repayment as part of these reviews but repayment may be considered on a case by case basis.

The agreement will be confirmed through a PDC Award Agreement and will require a Board resolution as set out in the terms of the agreement as well as a Board undertaking to comply with any Additional Terms and Conditions that may be included within the agreement.

2.4. Interim Capital Support Public Dividend Capital

Public Dividend Capital to support interim capital expenditure requirements will only be provided in exceptional circumstances and will not be available for capital requirements that can reasonably be considered to be part of a trust's normal business commitments.

In those cases where Interim Capital Support PDC may be provided, it is provided up to a limit set by agreement and serviced through the PDC dividend charge.

No routine repayment will apply but repayment in part or full may be determined necessary by the department where it is affordable, for instance where a capital receipt may be involved.

The agreement will be confirmed through a PDC Award Agreement and will require a Board resolution as set out in the terms of the agreement as well as a Board undertaking to comply with any Additional Terms and Conditions that may be included within the agreement.

2.5. Interim Capital Support Loan

This is an amortising loan product to support interim Capital expenditure requirements in advance of development of a Recovery Plan. It is the default facility to support capital expenditure requirements that can reasonably be considered to be part of a trust's normal business commitments.

Trusts may be required to progress the development and agreement of a Recovery Plan as a condition of funding. The limits of the facility will be set by agreement and the debt will be serviced based on the prevailing National Loans Fund (NLF) rate on the date agreement is made.

Interest will be payable to the department every 6 months and confirmed by the department subsequent to any drawings.

Principal will be due for repayment by equal instalments of principal based on an agreed term which does not exceed the useful economic life of the underlying asset(s) or investment.

The agreement will be confirmed through LMA documentation and will require a Board resolution as set out in the terms of the agreement as well as a Board undertaking to comply with any Additional Terms and Conditions that may be included within the agreement.

Annex 1 – Term Sheets



Independent Trust Financing Facility

Interim Revenue Support PDC

Term Sheet

Description	Conditional PDC linked to ongoing support in advance of recovery
Parties:	The Secretary of State for Health (as Lender) NHS Foundation Trust/NHS Trust (as borrower)
Facility Type:	Public Dividend Capital
Availability:	In line with DH financing principles as set out in https://www.gov.uk/government/publications/guidance-on-financing-available-to-nhs-trusts-and-foundation-trusts
Purpose:	Working capital expenditure for use only if it has insufficient working capital available to maintain the provision of the Borrower's services in its capacity as an NHS Body
Amount	By agreement (subject to affordability)
Utilisation	Not in advance of need Maximum of one drawdown instalment per month
Term of Commitment:	By agreement
Extension:	No

Expiry	By agreement
Interest:	No
Interest Payable	n/a
Conditions Precedent:	Board resolution Undertaking to comply with the Additional Terms and Conditions
Repayment:	Reviewed at the point a recovery plan
Fees:	1% commitment fee
Representations:	Status as an NHS Body Power and authority to enter into transaction Relevant Consents are in place
Negative pledge:	No
Events of default:	Breach of covenants Material adverse change Breach of Milestone Trust Special Administration Failure to use reasonable efforts to deliver the Additional Terms and Conditions
Assignment rights:	Assignable by the Lender
Documentation	PDC Award Agreement



Independent Trust Financing Facility

Interim Capital Support PDC

Term Sheet

Description	Conditional Capital PDC linked to essential works in advance of recovery
Parties:	The Secretary of State for Health (as Lender) NHS Foundation Trust/NHS Trust (as borrower)
Facility Type:	Public Dividend Capital
Availability:	In line with DH financing principles as set out in https://www.gov.uk/government/publications/guidance-on-financing-available-to-nhs-trusts-and-foundation-trusts
Purpose:	Capital expenditure in respect of Agreed Purpose
Amount	By agreement (subject to affordability)
Utilisation	Not in advance of need Maximum of one drawdown instalment per month
Term of Commitment:	By agreement
Extension:	DH agreement only
Expiry	By agreement
Interest:	Through PDC Dividend
Interest Payable	n/a

Conditions Precedent:	Board resolution Undertaking to comply with the Additional Terms and Conditions
Repayment:	No
Fees:	nil
Representations:	Status as an NHS Body Power and authority to enter into transaction Relevant Consents are in place
Negative pledge:	No
Events of default:	Breach of covenants Material adverse change Breach of Milestone Trust Special Administration Failure to use reasonable efforts to deliver the Additional Terms and Conditions
Assignment rights:	Assignable by the Lender
Documentation	PDC Award Agreement



Independent Trust Financing Facility

Interim Revolving Working Capital Support Facility

Term Sheet

Description	Extendable revolving maturity loan provided pending the development of recovery plan
Parties:	The Secretary of State for Health (as Lender) NHS Foundation Trust/NHS Trust (as borrower)
Facility Type:	Revolving Maturity Loan
Availability:	In line with DH financing principles as set out in https://www.gov.uk/government/publications/guidance-on-financing-available-to-nhs-trusts-and-foundation-trusts
Purpose:	Working capital expenditure for use only if it has insufficient working capital available to maintain the provision of the Borrower's services in its capacity as an NHS Body
Amount	Up to 30 Days Equivalent Opex
Utilisation	To maintain minimum cash balance Equally to 2 Days operating costs equivalent cash balance over the following 30 Days (but not less than £1m or more than £3m) Maximum of one drawdown instalment per month
Term of Commitment:	Rolling 2 year maturity
Extension:	Yes (limited by expiry)
Expiry	By agreement

Interest:	3.50%
Interest Payable	Every 6 Months
Conditions Precedent:	Board resolution Undertaking to comply with the Additional Terms and Conditions
Repayment:	On maturity or balances in excess of agreed maximum cash balance
Fees:	nil
Representations:	Status as an NHS Body Power and authority to enter into transaction Relevant Consents are in place
Negative pledge:	No
Events of default:	Breach of covenants Material adverse change Breach of Milestone Trust Special Administration Failure to use reasonable efforts to deliver the Additional Terms and Conditions
Assignment rights:	Assignable by the Lender
Documentation	LMA documentation



Independent Trust Financing Facility

Interim Revenue Support Loan

Term Sheet

Description	Extendable maturity loan provided pending the development of recovery plan
Parties:	The Secretary of State for Health (as Lender) NHS Foundation Trust/NHS Trust (as borrower)
Facility Type:	Maturity Loan
Availability:	In line with DH financing principles as set out in https://www.gov.uk/government/publications/guidance-on-financing-available-to-nhs-trusts-and-foundation-trusts
Purpose:	Working capital expenditure for use only if it has insufficient working capital available to maintain the provision of the Borrower's services in its capacity as an NHS Body
Amount	By agreement
Utilisation	To maintain minimum cash balance Equal to 2 Days operating costs equivalent cash balance over the following 30 Days (but not less than £1m or more than £3m) Maximum of one drawdown instalment per month
Term of Commitment:	Rolling 2 year maturity
Extension:	Yes (limited by expiry)
Expiry	By agreement

Interest:	1.50%
Interest Payable	Every 6 Months
Conditions Precedent:	Board resolution Undertaking to comply with the Additional Terms and Conditions
Repayment:	On maturity
Fees:	nil
Representations:	Status as an NHS Body Power and authority to enter into transaction Relevant Consents are in place
Negative pledge:	No
Events of default:	Breach of covenants Material adverse change Breach of Milestone Trust Special Administration Failure to use reasonable efforts to deliver the Additional Terms and Conditions
Assignment rights:	Assignable by the Lender
Documentation	LMA documentation



Independent Trust Financing Facility

Interim Capital Support Loan

Term Sheet

Description	Capital Loan repayable by equal instalments of principal
Parties:	The Secretary of State for Health (as Lender) NHS Foundation Trust/NHS Trust (as borrower)
Facility Type:	Amortising loan
Availability:	In line with DH financing principles as set out in https://www.gov.uk/government/publications/guidance-on-financing-available-to-nhs-trusts-and-foundation-trusts
Purpose:	Capital expenditure in respect of Agreed Purpose
Amount	By agreement
Utilisation	Not in advance of need Maximum of one drawdown instalment per month
Term of Commitment:	By agreement (linked to asset life)
Extension:	DH agreement only
Expiry	By agreement
Interest:	Prevailing NLF rate on date of the agreement

Interest Payable	Every 6 Months
Conditions Precedent:	Board resolution Undertaking to comply with the Additional Terms and Conditions
Repayment:	Equal instalments of principal
Fees:	nil
Representations:	Status as an NHS Body Power and authority to enter into transaction Relevant Consents are in place
Negative pledge:	No
Events of default:	Breach of covenants Material adverse change Breach of Milestone Trust Special Administration Failure to use reasonable efforts to deliver the Additional Terms and Conditions
Assignment rights:	Assignable by the Lender
Documentation	LMA documentation