

## Private meeting of the Board of Directors

**Subject:** 2014/15 and 2015/16 Revenue and Capital Funding  
**Date:** 19<sup>th</sup> March 2015  
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**Lead Director:** Margaret Ashworth Interim Chief Financial Officer

### 1. Executive Summary:

In 2015/16, the Trust will continue to require both revenue and capital funding support.

The Trust as required submitted its first iteration of the 2015/16 financial plan to Monitor on 27<sup>th</sup> February. This indicates a requirement for £43.5m of support, split into:

- Capital £5.7m
- Revenue £37.8m

In 2014/15 (excluding February and March, where Temporary Borrowing was received) all support was received as permanent Public Dividend Capital, with no applicable repayment or interest charges. The Trust has been advised that this is no longer the case; all future requirements must be made as capital and revenue loans, or as a working capital facility.

Monitor has provided non-negotiable Terms and Conditions that, by the date of the public Trust Board, will have been accepted by the Board, the date of acceptance being no later than the 20th March, as set by Monitor.

Monitor has advised that once the Board resolution has been passed and minuted, and submitted, the Trust will then be advised of the details of the working capital facility and loan.

Further actions to be taken are detailed below and are under way.

Monitor has also advised that working capital charges will be applied to the temporary borrowing of £6.5m in 2014/15. Rates of interest are: working capital facility 3.5%; loan 1.5%.

Monitor has asked the Trust to provide details of cash requirements for April and up to 11<sup>th</sup> May; these were provided on 12<sup>th</sup> March.

The loan will be a long term creditor position in the Trust's balance sheet.

Cash will be provided to cover the interest to be paid; however, there will be an impact on the income and expenditure position that will require an offsetting CIP to deliver a neutral effect to the bottom line.

**2. Instructions from Monitor and actions to be taken:****2014/15**

- As the Trust has drawn funding against a Temporary Borrowing Limit (TBL) in 2014/15, this needs to be repaid by 23 March 2015. In order to repay the TBL, the Department will make available Interim Support funding in the form of a revenue Interim Support Loan or an Interim Support revolving working capital facility.
- As we have a permanent Capital PDC limit approved in 2014/15, the Trust will not need to access a capital Interim Support loan.
- In order to access the Interim Support loan funding the Trust will need to submit a loan agreement(s) and utilisation request(s) to DH by 9.00am on Friday 20 March at the latest.

**Further details of Monitor's requirements are as follows :****1. Loan agreement:**

- a. Two copies of the loan agreement(s) should be signed (but not dated) by the Trust and returned to DH (via email and post). This can be signed by a single person (usually the Finance Director or Chief Executive Officer) who will need to be delegated by the Board to execute the agreement. The agreements will be dated when DH signs them.
- b. Template loan agreements were shared with the Trust on Friday 6 March 2015. The template agreement should not be signed, DH will issue trust specific loan agreement(s) to be executed.
- c. In order to issue a specific loan agreement to be executed, DH requires the following:
  - i. A named executor of the agreement;
  - ii. A named key contact at the trust;
  - iii. Confirmation of the minimum cash balance (this is 2 days opex based on 13/14 audited accounts, with a cap and collar of £1m and £3m respectively);
  - iv. (for working capital facility) Confirmation of the maximum cash balance (this is 10 days opex based on 13/14 audited accounts);
  - v. Confirmation of the value of the facility (this will be based on the funding drawdown required subject to the minimum cash balance above); and
  - vi. A 13 week cashflow forecast evidencing the draw down requirement.

In order for DH to provide trust specific loan agreements to be executed, the Trust must ensure that information in section c) is provided to Monitor by 9.00am no later than 1 working day before the date that it is intended to execute the agreement, which at the latest needs to be submitted to DH by 9.00am 20 March.

2. Utilisation request:

- a. A completed utilisation request form which will be provided by DH alongside the agreement (or found in schedule 2 of the agreements).
- b. A 13 week cashflow forecast
- c. Written Board resolution which should be informed by Schedule 1 of the agreements. In summary it will need to confirm the Board's:
  - i. Agreement to terms of the loan
  - ii. Nominated officer to execute the agreement
  - iii. Nominated officer to manage the agreement
  - iv. Agreement to comply with additional terms and conditions.
- d. A signed direct debit mandate (to be issued by DH alongside the trust specific loan agreement).

**2015/16**

As the Trust will require funding in April 2015, it will also be necessary to execute a further loan agreement and submit a further utilisation request (including Board resolution) to draw funding in April.

DH has suggested that in the first instance, all Trusts should use a revolving working capital facility to access cash in April. DH can provide a revolving working capital facility equivalent to up to 10 days of opex without an application to the ITFF. This is to be considered when the Trust finalises its resolutions to secure funding.

**PDC Dividend Calculation**

As the Trust has negative assets, no PDC dividend is paid to the DH.

**Next Steps:**

In order to progress the availability of funding in 2015/16, the Board is to approve the Terms and Conditions relating to both the working capital facility and the loan.

Resolutions to this effect will be presented to the private Board to be held on the 19<sup>th</sup> March.

The cash balances, cash flow forecast and facility value required are being calculated at the time of submission of this paper.

**Recommendations**

The Board is asked to note the following:

1. The terms and conditions are non-negotiable
2. The contracts are to be signed before the Trust receives specific details applicable to its financial position.
3. The Monitor Finance Director has said that cash cover will be provided for the interest charged.
4. The interest charges will affect the Income and Expenditure position, giving rise to a need to identify offsetting cost improvements/efficiency gains. The attached schedule shows the modelled effect for 2015/16 and 2016/17. The model will be updated when final numbers are received.
5. The requirements from Monitor and the actions needed to comply.
6. The Trust's legal team has been asked to provide a risk assessment. At the time of finalising this private Board paper, this has not been received. Any input will be circulated subsequently/abled.

and raise any issues in relation to the points above.

**Relevant Strategic Objectives (please mark in bold)**

<b>To consistently deliver safe, effective high quality care achieving a positive staff and patient experience</b>	To eliminate the variability of access to and outcomes from our acute and community services
To reduce demand on hospital services and deliver care closer to home	To develop extended clinical networks that benefit the patients we serve
<b>To provide efficient and cost effective services and deliver better value healthcare</b>	

<b>Links to the BAF and Corporate Risk Register</b>	Principal Risk 3 - Failure to deliver and maintain financial sustainability
<b>Details of additional risks associated with this paper</b> (may include CQC Essential Standards, NHSLA, NHS Constitution)	Not applicable

<b>Links to NHS Constitution</b>	Not applicable
<b>Financial Implications/Impact</b>	Potential inability of the Trust to meet its financial liabilities
<b>Legal Implications/Impact</b>	Not applicable
<b>Partnership working &amp; Public Engagement Implications/Impact</b>	Not applicable
<b>Committees/groups where this item has been presented before</b>	None
<b>Monitoring and Review</b>	Not applicable
<b>Is a QIA required/been completed? If yes provide brief details</b>	Not applicable