

<b>Report to:</b>	<b>EXECUTIVE</b>
<b>Relevant Officer:</b>	Steve Thompson, Director of Resources
<b>Relevant Cabinet Member:</b>	Councillor Simon Blackburn, Leader of the Council
<b>Date of Meeting:</b>	13 March 2017

## **PROVISION OF A SECURED BUSINESS LOAN TO BLACKPOOL TEACHING HOSPITALS NHS FOUNDATION TRUST**

### **1.0 Purpose of the report:**

- 1.1 To support the Council's local public sector partner, Blackpool Teaching Hospitals NHS Foundation Trust, with its investment in front-line services via the Council's Business Loans Fund

### **2.0 Recommendation:**

- 2.1 To authorise the provision of a £9,230,000 loan over a 10-year repayment period to Blackpool Teaching Hospitals NHS Foundation Trust.
- 2.2 Subject to the approval of 2.1, to authorise the Council's Legal Services team to draw up and enter into a suitable legal agreement with Blackpool Teaching Hospital.

### **3.0 Reason for recommendation:**

- 3.1 To provide the funding that Blackpool Teaching Hospitals NHS Foundation Trust is seeking and which could not otherwise be obtained at such rates for the investment in its front-line services.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

### **3.3 Other alternative options to be considered:**

The alternative option for the Council is not to progress this loan and allow the Foundation Trust to seek its funding from the financial markets at a higher cost to the taxpayer

#### **4.0 Council Priority:**

4.1 The relevant Council Priorities are:

- “The economy: Maximising growth and opportunity across Blackpool”
- “Communities: Creating stronger communities and increasing resilience”

#### **5.0 Background Information**

5.1 The Council meeting on 23 February 2017 approved as part of the General Fund Revenue Budget 2017/2018 an increase to the Council’s Business Loans Fund from £10.0m to £100.0m and with immediate effect.

5.2 Prior to this, officers of the Foundation Trust and the Council had been in discussions regarding if/how a loan could be sourced at cheaper rates than obtainable via the financial markets that would enable the Foundation Trust to invest further in its transformation programme and bolster its working capital. The Council’s Treasury Management function is able to source borrowing from a number of sources, in particular the Public Works Loan Board, the Municipal Bonds Agency and temporary borrowings that make up its managed loans pool and this was identified as the preferred solution.

5.3 It would be the intention for the Council to provide a loan of £9,230,000 in advance of 31 March 2017 for a 10-year period, repayable on the basis of the Equal Instalments of Principal (EIP) method and at a fixed interest rate agreed and set on the date of the Loan Agreement which at least covers the cost to the Council. The loan would be secured upon income-generating, non-operational property assets of the Foundation Trust to at least the value of the loan and with such valuation costs together with any loan arrangement fee being met by the Foundation Trust.

5.4 Does the information submitted include any exempt information? No

#### **5.5 List of Appendices**

None

**6.0 Legal considerations:**

6.1 The Council's Legal Services Section has considered whether the loan constitutes State Aid and whether the Council has the appropriate legal powers to make such a loan. The interest rate to be applied will not break State Aid rules and the Council has the powers to make such a loan under the general powers of competence under the Localism Act 2011 Section 1. The NHS Foundation Trust Provider Licence does place restrictions on the use of assets as security against borrowings where the assets are used in the delivery of Commissioner Requested Services (CRSs), however there are no restrictions where assets are not used to provide Commissioner Requested Services so there are no regulatory restrictions upon this proposed arrangement.

6.2 Subject to the approval of the loan, a legal agreement will be drawn up by the Council's Legal Services team.

**7.0 Human Resources considerations:**

7.1 None

**8.0 Equalities considerations:**

8.1 None

**9.0 Financial considerations:**

9.1 As outlined above in the Background Information section.

**10.0 Risk management considerations:**

10.1 In the unlikely event that the Foundation Trust should default on its loan then the Council would take charge over its agreed security, namely 1 specific income-generating, non-operational property asset with an externally RICS-valued assessment of £9,230,000.

**11.0 Ethical considerations:**

11.1 The Council is able to support its residents indirectly by providing better value financing to another public sector third party.

**12.0 Internal/ External Consultation undertaken:**

12.1 Consultation has been undertaken internally with the Council's Treasury Management Panel and Business Loans Fund Panel and externally with the Foundation Trust's Finance Committee.

**13.0 Background Papers**

13.1 Confidential Treasury Management Panel working papers and Business Loans Fund Panel minutes that by their commercially sensitive nature are not available for public inspection.

**14.0 Key decision information:**

14.1 Is this a key decision? Yes

14.2 If so, Forward Plan reference number: 8/2017

14.3 If a key decision, is the decision required in less than five days? No

14.4 If **yes**, please describe the reason for urgency: N/A

**15.0 Call-in information:**

15.1 Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process? No

15.2 If **yes**, please give reason:

**16.0 Scrutiny Committee Chairman (where appropriate):**

Date informed: 3 March 2017 Date approved: N/A

**17.0 Declarations of interest (if applicable):**

17.1 None

**18.0 Executive decision:**

18.2 **Date of Decision:**

**19.0 Reason(s) for decision:**

**19.1 Date Decision published:**

**20.0 Executive Members in attendance:**

**21.0 Call-in:**

**22.0 Notes:**