

DATED 8TH MARCH 2007

**WEST HERTFORDSHIRE HOSPITALS NHS TRUST
(as Borrower)**

and

**THE SECRETARY OF STATE FOR HEALTH
(as Lender)**

£11,200.000 (eleven million two hundred thousand pounds)

TERM LOAN

FACILITY AGREEMENT

TABLE OF CONTENTS

Clause	Headings	Page
1.	THE FACILITY	2
2.	PURPOSE.....	2
3.	UTILISATION	2
4.	PREPAYMENT	2
5.	INTEREST.....	3
6.	INTEREST PERIODS	3
7.	PAYMENT MECHANICS.....	3
	SCHEDULE 1 - Conditions Precedent	5
	SCHEDULE 2 - Drawdown Request.....	7
	SCHEDULE 3 – Agreed Purpose	7

1. THE FACILITY

- 1.1 Subject to the terms of this Agreement, the Lender makes available to the Borrower a sterling term loan facility in an aggregate amount equal to the Facility Amount.
- 1.2 The Facility shall be utilised by the Borrower for the purposes of and/or in connection with its functions as an NHS Trust.

2. PURPOSE

2.1 Purpose

The Borrower shall apply all Loans towards financing or refinancing the Agreed Purpose as stated in the confirmed Business Case at schedule 3.

3. UTILISATION

3.1 Delivery of a Drawdown Request

The Borrower may utilise the Facility by delivery to the Lender of a duly completed Drawdown Request not later than 20th February 2007.

3.2 Currency and amount

3.2.1 The currency specified in the Drawdown Request must be sterling.

3.2.2 The amount of each proposed Loan must be an amount that is not more than the Available Facility and which is a minimum of £1,000,000 or, if less, the Available Facility.

3.3 Repayment

The Borrower shall repay:

3.3.1 each Loan by instalments equal to the Relevant Percentage of all Loans which have been made on each Repayment Date in accordance with the Repayment Schedule; and

3.3.2 each Loan and all other amounts outstanding under the Finance Documents in full on the Final Repayment Date.

3.4 Reborrowing

The Borrower may not reborrow any part of the Facility that is repaid or prepaid.

4. PREPAYMENT

4.1 Voluntary prepayment of Loans

The Borrower may, if it gives the Lender not less than seven days' (or such shorter period as the Lender may agree) and not more than fourteen days' prior notice, prepay the whole or any part of any Loan (being a minimum amount of £250,000 where part repayment), up until the submission of month 7 FIMs return. After this date, prepayment will be at the discretion of the Lender.

4.2 Restrictions

4.2.1 Any notice of prepayment given by any Party under this Clause 5 shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant cancellation or prepayment is to be made and the amount of that prepayment.

4.2.2 Any proposals for prepayment that are accepted will require the borrower to pay a sum calculated by the Department of Health in addition to the interest payable up to the day before the loan is prematurely repaid. This sum represents the present value of future payments of principal and interest, which would have been paid if the original repayment schedule had been met. The present value is calculated by discounting the future payments at a rate of discount equal to the rate of interest currently being charged on new loans of a similar type to that being prepaid, with a life equal to the remaining life of the loan being prepaid. The relevant rate being the one prevailing on the day formal notice is given of the intention to repay.

4.2.3 The Borrower shall not repay or prepay all or any part of the Loan or cancel all or any part of the Available Facility except at the times and in the manner expressly provided for in this Agreement.

4.2.4 No amount of the Available Facility cancelled under this Agreement may be subsequently reinstated.

4.3 Automatic Cancellation

At the end of the Availability Period, the undrawn part of the Available Facility will be cancelled.

5. INTEREST

5.1 Calculation of interest

The rate of interest on each Loan for each Interest Period is the Interest Rate. The Interest Rate is determined by reference to the National Loan Fund rate prevailing on the day the Loan is utilised.

5.2 Payment of interest

The Borrower shall pay accrued interest on each Loan on the agreed day of the subsequent Interest Period.

6. INTEREST PERIODS

6.1 Interest Payment Dates

The Interest Period for each Loan shall be six months and will commence Mid March and Mid September, of each financial year regardless of the Utilisation Date.

7. PAYMENT MECHANICS

7.1 Payments

7.1.1 On each date on which the Borrower is required to make a payment under a Finance Document, the Borrower shall make the same available to the Lender (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Lender as being customary at the time for settlement of transactions in the relevant currency in the place of payment.

7.1.2 Payment shall be made by Internal Direct Debit to the Health General Cash Account 5957 at the Office of the Paymaster General (OPG) from the Trust's OPG Account.

7.2 Partial payments

If the Lender receives a payment that is insufficient to discharge all the amounts then due and payable by the Borrower under the Finance Documents, the Lender shall apply that payment towards the obligations of the Borrower in such order and in such manner as the Lender may, at its discretion, decide.

7.3 **No set-off**

All payments to be made by the Borrower under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

SCHEDULE 1
CONDITIONS PRECEDENT

1. Authorisations

1.1 A copy of a resolution of the board of directors of the Borrower:

- (A) approving the terms of, and the transactions contemplated by, the Finance Documents to which it is a party and resolving that it execute the Finance Documents to which it is a party;
- (B) authorising a specified person or persons to execute the Finance Documents to which it is a party on its behalf; and
- (C) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices (including, if relevant, any Drawdown Request and) to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party.

2. Finance Documents

2.1 This Agreement (original).

2.2 The original or certified copy (as the Lender shall require) of any Finance Document not listed above.

3. General

3.1 A copy of any other Authorisation or other document, opinion or assurance which the approving SHA or Lender considers to be necessary or desirable in connection with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document.

SCHEDULE 2

FORM L2

APPLICATION FOR FUNDING FORM - LOANS FACILITY

Trust:.....	Org Code:.....
Date loan required:.....	
Amount Required: £ (minimum of £1,000,000 and in round thousands)	
Amount in wordspounds	
Repayment Period NLF Rate Chargeable%	

TERMS AND CONDITIONS

Please sign below to confirm that this drawdown is in accordance with the Term Loan Facility Agreement.	
1 st Authorised Signature	
Print name.....	Date/...../.....
2 nd Authorised Signature	
Print name	Date/...../.....

Contact name and telephone no. with extension.....

Email address of contact
(This email address will be used to issue the repayment schedule to the borrowing organisation)

OPG Account details

Full Account name Account number

NB - THIS FORM MUST BE RETURNED BY CLOSE OF PLAY TUESDAY 20TH FEBRUARY 2007

For CF Team use only	Checked	Authorised
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SCHEDULE 3

BUSINESS CASE FOR APPROVAL OF NHS LONG-TERM LOAN

Sections 1 and 2 to be prepared by the NHS Trust and approved by SHA at section 3. All forms to be forwarded to DH for approval.

1. Please explain briefly the reason/need for a long-term loan and how repayment will be supported by reference to your agreed recovery plan.

The Trust was set a deficit control total for the 2006/07 year of £11.5m. A rigorous Turnaround programme has been implemented and the Trust is on course to meet, or be very close to, the control total.

During the 2006/07 year the Strategic Health Authority (SHA) has arranged for temporary funding to be made available to the Trust to cover the control total deficit, £6m as temporary Public Dividend Capital and £5.5m as temporary borrowing. This funding is repayable before 31st March 2007.

To enable the Trust to pay back the temporary funding, the SHA and the Department of Health (DH) have agreed to provide a five-year interest-bearing loan totalling £11.2m. The loan will be paid back in annual instalments of £2.240m.

By continuing its rigorous Turnaround programme, and by working with the SHA to implement its Interim Measures service re-configurations, the Trust is aiming to break-even by the end of the 2007/08 year and thereafter to generate surpluses to enable it to fund the loan repayments.

DH Notes

Loan already authorised by DH after discussions with SHA.

2. Period of Loan	
Length of borrowing From19 th March 2007 To.....19 th March 2012	
DH Notes <ul style="list-style-type: none"> • Long term loans must be linked to approved recovery plans • Repayment will be by equal six monthly instalments over the period of the loan • Interest will be paid six monthly in arrears commencing from Mid September 2007 	

3. Confirmation from SHA
<p>The SHA has scrutinised the long-term loan requirement and overall cash position of the Trust with the Trust Director of Finance.</p> <p>The SHA is satisfied that the loan is linked to an approved recovery plan that supports the repayment of this facility in line with the agreed timetable.</p> <p>The SHA can confirm that this loan is accommodated within the 2006-07 cash planning total.</p> <p>Name.....SHA Code.....</p> <p>Contact Tel Number.....</p> <p>Date:</p>
DH Notes Loan already approved after discussions with SHA.

SIGNATORIES

Borrower

for and on behalf of

[NAME OF TRUST] NHS Trust

By:

Address:

Fax:

Attention:

Lender

The Secretary of State for Health

By:

Address: Department of Health,

Fax:

Attention: