

**Future Funding of Deficits  
Board Resolution To Support The Loan Agreement With  
The Department of Health**

**Introduction**

As a result of changes to the previous arrangements in respect of the management and provision of loans to the NHS the Trust is required to enter into a formal Loan Agreement with the Department of Health setting out the terms and conditions of the loan. The Board is required to approve, by way of resolution, the acceptance of content of the Loan Agreement.

**Background**

Historically Trusts have received funding to cover Income & Expenditure Account (I/E) deficits by the issue of temporary brokerage or permanent Public Dividend Capital (PDC). Such funding has mainly been interest-free, although recent funding arrangements via the NHS Bank have attracted fees of 10%.

From March 2007, I/E deficits will be funded by interest-bearing loans from the Department of Health (DH). This form of funding will be retrospectively applied to the 2006/07 year. Interest will be charged at the prevailing National Loans Fund Rate of around 5%.

**Trust Position**

The Trust has an I/E deficit control total for 2006/07 of £11.5m agreed with the Strategic Health Authority (SHA). To date this has been funded by the receipt of £6m temporary PDC and £5.5m brokerage. In March this will be repaid and replaced with a loan of £11.2m (maximum available) from the DH arranged by the SHA on the Trust's behalf. This will be repayable in equal instalments over a five year period.

The standard Term Loan Facility Agreement is attached. As part of this Agreement, a Resolution of the Board is required as set out in Schedule 1 to the Agreement.

**Proposed Resolution**

That the Board of West Hertfordshire Hospitals NHS Trust resolves to accept the terms of the Term Loan Facility Agreement, accepting all the obligations and liabilities contained therein.

**Recommendation**

The Board is recommended to agree the above resolution.

**Ross Dunworth**  
**Interim Director of Finance**  
**February 2007**