

REPORT TO TRUST BOARD

Report from: Anna Dugdale

Subject: Refinancing

Purpose: To update the Board on the progress with regard to refinancing and to seek approval to the proposed Heads of Terms agreement between Octagon and the Trust.

Date: 16 July 2003

Executive Summary

- ◆ The report follows on from previous reports regarding refinancing and seeks approval to the details of the proposed arrangements between the Trust and Octagon set out in the Heads of Terms document. The report also seeks delegated authority to be granted to the Director of Resources and the Chief Executive to agree further changes as required between Board meetings.

Summary of Key Recommendations

- ◆ The Board is asked to approve the details as set out in the Heads of Terms document and to give delegated authority to the Chief Executive and Director of Resources to agree variations to the proposal presented.

NORFOLK & NORWICH UNIVERSITY HOSPITAL NHS TRUST

REPORT TO THE TRUST BOARD

WEDNESDAY 16 JULY 2003

Refinancing

1. Introduction

The report updates the Board on the progress in the last month in the negotiation of the refinancing deal. In relation to this item Board members are reminded that the Trust is subject to confidentiality obligations with regard to disclosure, members are asked to bear this in mind and are asked to keep this item strictly confidential.

2. Progress to Date

Since the last Board meeting a number of meetings have been held with Octagon and the details of the proposal have been further negotiated.

The Trust also had a further meeting with the Private Finance Unit. The purpose of the meeting being to assess the degree to which the terms negotiated to date satisfied the PFU expectation. The feedback from the PFU was very positive and negotiations have continued with Octagon to refine certain points of the proposal.

A presentation pack of information on the proposal has been distributed with the Board papers for information and discussion in further at the meeting and this incorporates the Heads of Terms.

In summary the refinancing proposal is fully compliant with the Code of Conduct on Early Refinancings. The proposal gives the Trust the benefit of a gain of £35m, if taken as an upfront sum, along with an annual reduction in the usage fee, due to the extension of the primary period of the contract of £1.9m. If the benefit of the gain is taken spread over the primary period of the contract the annual reduction in usage fee will be £1.8m in addition to the reduction achieved through the extension of the primary period of the contract.

Negotiations continue with the PFU regarding the profiling of the refinancing gain.

The Heads of Terms presented to the Board indicate that there remain some outstanding issues for negotiation. The most significant of these are the Wrap Up agreement (which is designed to give funders comfort and to reduce the level of due diligence required by funders) and changes to the Project Agreement, which may be requested by the funders once their lawyers have seen the documentation.

Following Board approval, the Heads of Terms will be submitted to the Strategic Health Authority, the PFU and Treasury for approval.

4. Conclusion

The Board is asked to note the progress this month in the negotiation of the refinancing deal to approve the Heads of Terms as submitted and to grant delegated authority to the Director of Resources and the Chief Executive to agree to further changes as may be proposed.

Anna Dugdale
Director of Resources
July 2003.