

**Report for: Cabinet**

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Date of Meeting:	6 June 2023
Subject:	<b>Loan to Crediton NHS Hub</b>
Cabinet Member:	Cllr James Buczkowski, Cabinet Member for Finance
Responsible Officer:	Andrew Jarrett, Deputy Chief Executive (S151)
Exempt:	Some details are Exempt from publication under paragraph 3, Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)
Wards Affected:	Crediton Lawrence and Crediton Boniface
Enclosures:	N/A

**Section 1 – Summary and Recommendation(s)**

To consider a long term loan arrangement to help facilitate the construction of a Pharmacy at the NHS Hub building in Crediton.

**Recommendation(s):**

- 1. To delegate approval to the Deputy Chief Executive (S151) of a loan to the GP Practice of £240k repayable over 13 years on an annuity basis at a commercial fixed interest rate, subject to the completion of legal due diligence and documentation.**

## **Section 2 – Report**

### **1.0 Introduction**

- 1.1 The Council has an existing loan with the GP Practice of £2.175M for the construction of the new integrated health hub at the Chiddenbrook Surgery in Crediton. That building is mostly funded by the NHS, but the GPs sought funding from the Council on a commercial basis.
- 1.2 The GP Practice has approached the Council for an additional loan to build a new pharmacy building attached to the practice. In addition to the benefits to the residents of Crediton and the surrounding area, the Council consider this an opportunity to lend funds to a suitable stakeholder that will provide a good rate of return on our money, over and above that currently achievable in the current economic conditions.
- 1.3 The loan is intended to be very much on the same commercial basis as the existing loan, thus avoiding any State Aid issues. Draft Terms of Reference have been agreed. Michelmores LLP have been engaged to draft the loan agreement, including ensuring appropriate security for the Council is included. The partners agreed to fund our legal advice and other associated costs.
- 1.4 The view of officers is that, as an NHS body, the creditworthiness is at least Good and the Collateral is High, which will inform the appropriate interest for the loan.
- 1.5 The Council, as part of its daily Treasury decisions, may decide to fund the advance from internal borrowing, if possible. This then increases the surplus made as we would not be paying an external lender. The cost to the Council would be the opportunity cost of not investing those funds. With our average return on investment of around 4% at this time, this would be a prudent approach. Therefore, this should be considered as an attractive proposition.

### **Financial Implications**

The proposed loan is to be undertaken on a commercial basis with the Council due to earn a higher return than if this sum was lent on the market. All costs incurred, although minimal due to the existing relationship, will be met by the Surgery.

A summary of the loan requirements are included within the report. The details are commercially sensitive and therefore there will be a requirement to move into confidential session to discuss the details.

## **Legal Implications**

Michelmores LLP have been engaged to advise and draft the loan agreement, heavily based upon the existing Umbrella Agreement and the current loan agreement entered into by the GP's.

As a fully commercial transaction, there are no state aid implications.

## **Risk Assessment**

The Council consider this loan a low risk of default given it is to an NHS body. The legal agreement will fully protect the Council's interest.

This loan forms part of a diversified treasury portfolio and therefore further spreads the risk and increases the overall portfolio yield.

## **Impact on Climate Change**

Providing a local pharmacy solution will reduce the need for residents to travel to get their medical supplies.

## **Equalities Impact Assessment**

Similarly to the climate change benefit, all protected characteristics will benefit from a more localised pharmacy solution.

## **Relationship to Corporate Plan**

The financial resources of the Council impact directly on its ability to deliver the Corporate Plan, therefore achieving a greater return on investments enable additional service provision.

## **Section 3 – Statutory Officer sign-off/mandatory checks**

### **Statutory Officer: Andrew Jarrett**

Agreed by or on behalf of the Section 151

**Date: 23/05/2023 via Leadership Team meeting**

### **Statutory Officer: Maria De Leburne**

Agreed on behalf of the Monitoring Officer

**Date: 23/05/2023 via Leadership Team meeting**

### **Chief Officer: Stephen Walford**

Agreed by or on behalf of the Chief Executive/Corporate Director

**Date: 23/05/2023 via Leadership Team meeting**

### **Performance and risk: Dr Stephen Carr**

Agreed by the Corporate Performance & Improvement Manager

**Date: 24/05/2023**

**Cabinet member notified:** No – awaiting confirmation of new Portfolio Holder.

## **Section 4 - Contact Details and Background Papers**

**Contact:** Paul Deal, Corporate Manager for Finance, Property and Climate Change

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**Background papers:** Previous Cabinet reports regarding the original loan, dated 25 July 2019 and 26 March 2020.