

# North Tyneside Council Report to Cabinet 9 November 2015

## ITEM 7(b)

North Tyneside Local  
Improvement Finance  
Trust (LIFTco)

Portfolio(s): Finance and Resources

Cabinet Member(s): Cllr R Glindon

Report from Service Area: Commissioning and Investment

Responsible Officer: Mark Longstaff, Head of Commissioning and Investment (Tel: 643 8089)

Wards affected: Weetslade, Valley and Whitley Bay

### PART 1

#### 1.1 Executive Summary

As a shareholder of the Newcastle and North Tyneside LIFT company (NNT LIFTco), the Directors of the NNT LIFTco are seeking Shareholder Consent from North Tyneside Council (and all other Shareholders) to approve the following matters:

- I. to change the Debt/Equity Ratio requirement in the Tranche 1 Credit Agreement between NNT LIFTco and Barclays Bank (the lender) from 90:10 to 92:8. This proposal will align the Debt/Equity Ratio with the Credit Agreement which covers Tranches 2a, 2b and 2c;
- II. approval of Sub Debt Capital Repayment of £0.700m to be paid to Elgin Lift Limited in November 2015 at no cost to the Council; and
- III. the insertion of a new clause in the Credit Agreement which obliges the Company to send the Condition Surveys required under the Estate Management Contract directly to the Lender (Barclays Bank). It should be noted that there is already an obligation for the Company to send this information to the Lenders Technical Adviser, however there is currently not an active Technical Adviser in place as they are only used as and when required.

The above matters have already been approved by the NNT LIFTco Board (of which North Tyneside Council is a member) and are all subject to Shareholder Consent.

This report therefore asks Cabinet on behalf of the Authority, as a Shareholder of the NNT LIFTco, to agree to the proposals as set out above.

#### 1.2 Recommendation

It is recommended that Cabinet:

1. approve the proposals as set out in Section 1.5.5 below and authorise the Head of Finance in consultation with the Cabinet Member for Finance and Resources and Head of Law and Governance to conclude all matters associated with the proposals as necessary, and

2. authorise the Head of Finance in consultation with the Head of Law and Governance, the Elected Mayor and the Cabinet Member for Finance and Resources to determine any future matters that may arise associated with the NNT LIFTco requiring formal Shareholder Consent.

### **1.3 Forward plan**

Twenty eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 5 October 2015.

### **1.4 Council plan and policy framework**

The report is relevant to the following priorities set out in the Our North Tyneside Plan 2014 - 2018:

Our Places will: work with residents, communities and businesses to regenerate the borough.

Our Places will: be places that people like living in and will attract others to visit and live.

### **1.5 Information**

- 1.5.1 The National Health Service (NHS) Local Improvement Finance Trust (LIFT) is a Private Finance Initiative (PFI) style procurement route developed to improve the delivery of health, social care and community related services to the public. The Authority previously agreed in October 2003, to participate in NNT LIFT and become a signatory to the Strategic Partnering Agreement, which was signed on 11 May 2004. This involves a private sector partner, Robertsons Capital Projects who have previously been procured through a European procurement procedure and attract PFI credit support from central government.
- 1.5.2 The NNT LIFT provides a partnering framework and procurement vehicle to deliver serviced accommodation without the need for further recourse to Europe-wide procurement. LIFTco is however obliged to demonstrate value for money to the satisfaction of the local public sector partners for each new tranche of buildings.
- 1.5.3 As part of the NNT LIFTco agreement, in June 2006, Cabinet agreed to the procurement of new Joint Service Centres at both Dudley and Shiremoor and in August 2011 Cabinet approved a new build Joint Service Centre on York Road in Whitley Bay.
- 1.5.4 The Authority is a shareholder in the Newcastle and North Tyneside Lift Company (LIFTCo). LIFTCo is a public private partnership company. It is owned 60% by Robertsons who are the construction partners to the project, and 40% by the public sector. The public sector share is split 50:50 with 20% held nationally by Community Health Partnerships (CHP) on behalf of the NHS and 20% held locally. The 4 local public sector shareholders in LIFTCo are North Tyneside Council; North Tyneside Clinical Commissioning Group (formerly PCT); Newcastle City Council and the Newcastle Clinical Commissioning Group.
- 1.5.5 As a shareholder of the Newcastle and North Tyneside LIFT company (NNT LIFTco), the Directors of the NNT LIFTco are seeking Shareholder Consent from North Tyneside Council (and all other Shareholders) to approve the following matters:

- I. to change the Debt/Equity Ratio requirement in the Tranche 1 Credit Agreement between NNT LIFTco and Barclays Bank (the lender) from 90:10 to 92:8. This proposal will align the Debt/Equity Ratio with the Credit Agreement which covers Tranches 2a, 2b and 2c;
- II. approval of Sub Debt Capital Repayment of £0.700m to be paid to Elgin Lift Limited in November 2015; and
- III. the insertion of a new clause in the Credit Agreement which obliges the Company to send the Condition Surveys required under the Estate Management Contract directly to the Lender (Barclays Bank). It should be noted that there is already an obligation for the Company to send this information to the Lenders Technical Adviser, however there is currently not an active Technical Adviser in place as they are only used as and when required.

1.5.6 The above matters have already been approved by the NNT LIFTco Board (of which North Tyneside Council is a member) and are all subject to Shareholder Consent.

1.5.7 North Tyneside Council do not have any Joint Services Centres included within the Tranche 1 Credit Agreement and therefore our only interest in this decision is in respect that we are a shareholder of NNT LIFTco and therefore the formal consent of North Tyneside Council is required. This report therefore asks Cabinet on behalf of the Authority, as a Shareholder of the NNT LIFTco, to agree to the proposals as set out above.

## **1.6 Decision options**

The following decision options are available for consideration by Cabinet.

### Option 1

Approve the recommendations set out in section 1.2 of the report

### Option 2

Not approve the recommendations set out in section 1.2 of the report

### Option 3

Request Officers to undertake further work on the arrangements associated with the NNT LIFTco

Option 1 is the recommended option.

## **1.7 Reasons for recommended option**

Option 1 is considered the preferred option as there will be no impact on North Tyneside Council. In addition, Newcastle City Council, as the other Local Authority Public Sector Shareholder, have already considered the matter and have agreed to the proposed amendments.

## **1.8 Appendices**

Appendix 1 - the draft Letter of Variation sub debt proposal paper

## **1.9 Contact officers**

Mark Longstaff, Head of Commissioning and Investment, Tel 0191 643 8089  
Iain Betham – Senior Manager, Strategic Investment and Property, Tel 0191 6438092  
Vicki Dixon - Senior Manager, Investment and Commercial Finance, Tel 0191 643 5723  
Alison Campbell - Senior Business Partner – Tel. 0191 643 7038

## **1.10 Background information**

The following background papers and research reports have been used in the compilation of this report and are available for inspection at the offices of the author.

1. Cabinet Report dated 20 June 2006 - Provision of 2 Joint Service Centres at Dudley and Shiremoor
2. Council Report dated 29 June 2006 - Provision of 2 Joint Service Centres at Dudley and Shiremoor
3. Cabinet Report dated 8 August 2011 – Whitley Bay Joint Service Centre.

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

- 2.1.1 As all North Tyneside schemes are later than Tranche1 there is no effect for the Council as a sub-debt holder.
- 2.1.2 As a shareholder in NNT LIFTco, there is a minimal positive impact on the Authority, which means that the reduction in interest paid against sub-debt (as part of the Tranche 1 sub-debt is repaid) will be at a higher level of distributable reserves at year-end. If the NNT LIFTco were to make a distribution of profit to shareholders, then the amount available to the Shareholders would be marginally higher.
- 2.1.3 On that basis, the potential increase in distributable reserves may give a small payment back to North Tyneside Council in the region of £4k on top of any other distribution that may be paid.

### **2.2 Legal**

There are no legal implications arising directly from this report other than the Authority exercising its shareholder responsibility in relation to the NNT LiftCo.

### **2.3 Consultation**

The Cabinet Member responsible for Finance and Resources has been consulted in relation to the proposals.

### **2.4 Human rights**

There are no human rights implications directly arising from this report.

### **2.5 Equalities and diversity**

There are no equality and diversity implications directly arising from this report.

### **2.6 Risk management**

There are no risk management implications directly arising from this report.

### **2.7 Crime and disorder**

There are no crime and disorder implications directly arising from this report.

### **2.8 Environment and sustainability**

There are no environment and sustainability implications directly arising from this report.

### **PART 3 - SIGN OFF**

- Deputy Chief Executive  X
- Head of Service  X
- Mayor/Cabinet Member(s)  X
- Chief Finance Officer  X
- Monitoring Officer  X
- Head of Corporate Strategy  X