

# Health Service Circular

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Category: **Finance**

Status: **Action**

*Sets out a specific action on the part of the recipient with a deadline where appropriate*

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## 2000/01 HCHS Capital Allocations

### Policy on Capital to Revenue Transfers

### Changes to the NHS Trust Financial Regime

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To: NHS Executive Regional Directors  
Health Authorities (England) – Chief Executives  
NHS Trusts – Chief Executives  
NHS Executive Regional Directors of Finance  
Health Authorities (England) – Directors of Finance  
NHS Trusts – Directors of Finance

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It is also available on the Department of Health web site at  
<http://www.doh.gov.uk/coinh.htm>

## Summary

1. This HSC details:

**Part One:** Allocation of capital resources available for Hospital and Community Health Services (HCHS) in 2000/01.

**Part Two:** The policy on capital to revenue transfers.

**Part Three:** Changes to the NHS Trust Financial Regime.

**PART ONE – HCHS CAPITAL ALLOCATIONS 2000/01****Capital Resources for 2000/01**

2. HCHS capital resources will rise by £355 million next year to £2.6 billion including land sale receipts and investment generated through the Private Finance Initiative (PFI). Table 1 sets out these figures for 2000/01 in more detail and compares them to the figures for 1999/00 announced in HSC 1998/214. This represents a significant increase in resources. It will be used to continue the programme of modernisation of buildings and investment in modern and reliable equipment and facilities that are required for modern health care delivery.

**Table 1: HCHS Capital Investment – 2000/01**

	<b>1999/00 Plan (HSC 1998/214) (Cash) £m</b>	<b>Plan 2000/01 (Cash) £m</b>	<b>Cash Increase %</b>	<b>Real Terms Increase <sup>(1)</sup> %</b>
<b>HCHS Exchequer Capital Baseline</b>	<b>1,178</b>	<b>1,178</b>		
<b>Plus:</b>				
Modernisation Fund for Capital	70	250		
Modernisation Fund for IM & T	50			
Treasury Capital Modernisation Fund		122		
<b>Less:</b>				
Transfer to Revenue to Support Implementation of the CHD NSF		(23)		
<b>Net HCHS Capital</b>	<b>1,298</b>	<b>1,527</b>	<b>17.6</b>	<b>14.8</b>
<b>Plus:</b>				
Gross Retained Estate Proceeds	214	154		
NHS Trust Receipts	<u>123</u>	<u>209</u>		
Total Receipts	337	363		
<b>Gross HCHS Capital</b>	<b>1,635</b>	<b>1,890</b>	<b>15.6</b>	<b>12.8</b>
PFI Investment (estimated)	610	710		
<b>Total Capital Investment</b>	<b>2,245</b>	<b>2,600</b>	<b>15.8</b>	<b>13.0</b>

Notes:

(1) Calculated using GDP deflator of 2.5%  
Figures may not sum due to rounding

**Treasury Capital Modernisation Fund**

3. The Treasury has already agreed to provide the NHS with £122 million from its Capital Modernisation Fund in 2000/01. This will be used to fund investment on modernising A&E departments, primary care initiatives and treatment of cataracts. A more detailed announcement will be made later on the precise disposition of the Treasury's Capital Modernisation Fund.

**Disposition of Resources**

4. More than 90% of the resources available for allocation in 2000/01 are being allocated to Regional Offices under this HSC. This will allow NHS Trusts and level 4 PCTs to prepare their investment plans. Table 2 below provides a detailed breakdown of the disposition of resources.

**Table 2: Gross HCHS Capital – Disposition of Resources**

<b>Disposition of Resources</b>	<b>£m</b>	<b>£m</b>
<b>Total Capital Investment (Table 1)</b>		<b>2,600</b>
Less PFI Investment		710
<b>Gross HCHS Capital</b>		<b>1,890</b>
<u>Less:</u>		
Costs associated with the Retained Estate	25	
NHS Trust receipts	209	
Definitional transfers to revenue	220	
Treasury Capital Modernisation Fund	122	
Sub total		(576)
<b>Available for allocation as capital</b>		<b>1,314</b>
<i>Available for allocation:</i>		
<b>Central Budgets (see Table 3)</b>		<b>15</b>
<i>To Regional Offices</i>		
Waiting Lists and Times	90	
Renal Services	10	
London Initiatives	50	
Additional Medical School Students	11	
Secure Hospitals – Fallon Enquiry	14	
General Allocations	1,056	
<b>Total to Regional Offices (see Table 4)</b>		<b>1,231</b>
<i>To be distributed later</i>		
Cancer	30	
Pathology	15	
Coronary Heart Disease	20	
Ambulance Response Times	3	
<b>Total to be allocated later</b>		<b>68</b>

## Central Budgets

5. A total of £15 million has been set aside for capital investment in Non Departmental Public Bodies (NDPBs). Table 3 provides details of the distribution across the central budgets.

**Table 3 – Capital Central Budgets 2000/01**

Central Budgets	£000
National Blood Authority	11,500
NHS Supplies	500
Prescription Pricing Authority	2,163
Dental Practices Board	500
UKTSSA	142
NHS Information Authority	150
<b>Total</b>	<b>14,955</b>

## Allocations to Regional Offices

6. Table 4 below shows the total capital resources available to Regional Offices.

**Table 4: 2000/01 Regional Capital Resources**

Region	Exchequer Funded Regional Resources	London Initiatives	Fallon Enquiry	Additional Medical Students	Total
	£000	£000	£000	£000	£000
Northern & Yorkshire	150,349				150,349
Trent	115,834		4,500	256	120,590
Eastern	115,313			1,462	116,775
London	185,129	50,440	4,500		240,069
South East	191,169			133	191,302
South & West	108,032				108,032
West Midlands	129,714			8,759	138,473
North West	160,278		4,500		164,778
<b>Total</b>	<b>1,155,818</b>	<b>50,440</b>	<b>13,500</b>	<b>10,610</b>	<b>1,230,368</b>

## Priorities for Capital Investment

7. Allocations to NHS Trusts and level 4 Primary Care Trusts should be directed as follows:

- **Regional Offices are required to maximise the amount allocated to NHS Trusts and PCTs as block capital.** This will continue the initiative started in 1999/00 to ensure investment is focused on smaller schemes, which give real and visible improvements in the standard of facilities for staff and patients across the NHS. Block capital should represent at least 55% of the general allocations made to Regional Offices. Other than in exceptional circumstances, individual NHS Trusts should receive an increase in their block allocation.
- **Capital resources should be used for capital investment.** All Regional Offices have been set a virement threshold to limit capital to revenue transfers next year. All virement must be approved in advance by the Regional Office. (See part 2).

- **Ear marked funds to support investment on Government priorities.** Resources have been ear marked to support the following priorities:
  - Cancer
  - Coronary Heart Disease (CHD)/Stroke
  - Waiting Lists and Times
  - Pathology
  - Renal Services
  - Ambulance Response Times
  
- **Priorities to be funded from general allocations.** From the resources available to Regional Offices the following objectives should be addressed:
  - elimination of mixed sex accommodation
  - compliance with fire safety, and other statutory requirements
  - compliance with Section 21 of the Disability Discrimination Act
  
  - additionally, when determining priorities for capital investment, special consideration should be given to:
    - capital programmes which help Health Action Zones achieve their agreed objectives
    - Variant CJD: investment proposals that achieve compliance with best practice on decontamination facilities

8. To ensure that these priorities are delivered, Regional Offices will be required to submit plans showing the distribution of capital resources across NHS Trusts and Health Authorities by priority area.

### **Funds Earmarked from Capital Planning Totals**

9. Part of the £1,155.8 million regional allocations above is earmarked for specific priorities. Nationally there is £90 million for waiting lists and times and £10 million for renal services. These sums have been distributed between Regional Offices according to regional shares as shown in table 5. Amounts for individual NHS Trusts will be based on plans assessed against nationally determined criteria.

**Table 5: Funds earmarked from Capital Planning Totals**

Region	Waiting Lists and Times	Renal Services	General Capital Remaining	TOTAL
	£000	£000s	£000	£000
Northern & Yorkshire	11,707	1,301	137,341	150,349
Trent	9,020	1,002	105,812	115,834
Eastern	8,979	998	105,336	115,313
London	14,415	1,602	169,112	185,129
South East	14,886	1,654	174,629	191,169
South & West	8,412	935	98,685	108,032
West Midlands	10,100	1,122	118,491	129,714
North West	12,480	1,387	146,411	160,278
<b>Total</b>	<b>90,000</b>	<b>10,000</b>	<b>1,055,818</b>	<b>1,155,818</b>

Figures may not sum due to rounding

10. The investment in these areas will be targeted as follows:

- **Waiting Lists and Times** – This money will be invested primarily in outpatient services to support sustainable reductions in waiting lists and times. It will be used to support schemes that streamline services and remove bottlenecks as well as those which improve the convenience of patients. Any investment directed at improving day and inpatient facilities should similarly address constraints to increasing productivity and throughput.
- **Renal Services** – Investment is to bring on stream new facilities to improve access to haemodialysis.

#### Earmarked Funds to be allocated later

11. There is £68 million earmarked for further priorities that will be allocated later. This is shown in table 6:

**Table 6: Retained Earmarked Funds**

Priority Area	£m
Cancer	30
Pathology	15
CHD	20
Ambulance Response Times	3
<b>Total</b>	<b>68</b>

12. Investment in these areas will be targeted as follows:

- **Cancer** -

This £30 million represents the first tranche of a three year £100 million programme of investment in cancer services. This programme is for:

**CT Scanners:** All NHS Trusts offering a CT service should have available equipment that offers volume scanning capability by 2004. This is consistent with the Government's priorities on cancer as demonstrated by Calman Hine and subsequent

initiatives. The CT service should be provided by means of either spiral or multi-slice scanners, depending upon the most appropriate solution to local circumstances. This investment should ensure that by 2004 all CT scanners within the NHS are less than 10 years old.

Simulators & Planning Computers: Invest in the acquisition of simulators and planning computers to calculate radiotherapy doses. All NHS Trusts providing radiotherapy services to be able to provide volume (3D) planning for patients by 2004.

- **Pathology -**

The £15 million for pathology modernisation is to reconfigure the service and improve quality and efficiency in order to meet the demands of modernising the NHS. The fund will be allocated as part of the Pathology Modernisation Programme which recognises the critical role laboratories play in evidence based care for patients and protecting public health. Expressions of interest from the NHS will be invited in the near future, under "Pathology Modernisation" on the Department of Health website, reflecting the 1999/00 exercise and lessons learned from it.

- **CHD -**

£20 million capital has been designated for CHD for 2000/01. This will be used to support the implementation of the National Service Framework. £10m is to support action to increase the numbers of revascularisation procedures as previously announced and £10m is to support the development of rapid access clinics for new onset chest pain.

- **Ambulance Response Times -**

The £3 million allocation is part of a larger £21 million package to ensure that ambulance services are able to achieve the most important of their new performance targets, that of responding to 75% Category A (immediately life threatening calls) within 8 minutes, by end March 2001.



**PART TWO – CAPITAL TO REVENUE TRANSFERS****Virement Threshold**

13. There are limits placed on the transfer of funds from capital to revenue in 2000/01. The limits will apply to **all funds available for capital** including:

exchequer funds;  
planned retained estate receipts; and  
planned NHS Trust capital receipts.

14. Each NHS Executive Regional Office has a virement threshold within which all capital to revenue transfers by Health Authorities and NHS Trusts must be managed. These thresholds were calculated pro-rata to column 2 of Table 4 and are shown in table 7 below:

**Table 7: Regional Virement Thresholds**

Region	Virement Threshold
	£000
Northern & Yorkshire	22,764
Trent	17,538
Eastern	17,459
London	28,030
South East	28,944
South & West	16,357
West Midlands	19,640
North West	24,267
<b>TOTAL</b>	<b>175,000</b>

15. The only exceptions to this threshold are PFI development costs and related land receipts. Related land sale receipts are receipts from the sale of NHS land used to fund a PFI contract and which create a deferred asset in the Trust's books. Transfers from capital to revenue for these purposes will be closely monitored.

16. Subject to the exception above, the virement thresholds represent the maximum amount of capital and capital receipts that can be used for revenue purposes. **At all times the aim should be to use capital resources for capital investment.** There is no limit on virement from revenue to capital.

**Management of Capital to Revenue Transfers**

17. Each Regional Office is responsible for managing transfers by its Health Authorities and NHS Trusts. There is no delegated limit. Transfers must be agreed by the Regional Office and actioned through EFL or cash limit adjustments. In practice this will work as follows:

**NHS Trusts****Capital spending in EFL**

18. NHS Trusts approved capital spending is included in their External Financing Limit (EFL). Previously NHS Trusts had the ability to vire from capital to revenue. However, under these

arrangements this will score against the regional virement threshold. A NHS Trust must therefore discuss with its Regional Office if it plans to spend a different level of capital (in cash terms) than that included in its EFL. If approved for spending as revenue the Regional Office will need to action a formal capital to revenue transfer i.e. reduction in EFL and increase in HA cash limit.

### NHS Trust capital receipts

19. Trusts also receive capital receipts from the sale of assets. These are also subject to the virement rules as they are included in the control total for capital. They should be spent as capital unless the Regional Office approves spending as revenue in which case it scores against the Regional Office threshold. NHS Trusts need to make the Regional Office aware of any expected capital receipts. Revenue costs of disposal funded from capital do not score against the virement threshold.

### NHS Trust Brokerage

20. Brokerage resulting from slippage on capital spending from one year to another does not cause any problems overall so long as we achieve the required level of capital expenditure taking one year with another. However, as has been the case in previous years, Regional Offices, will need to be informed by NHS Trusts of any underspending to enable them to broker the EFL cover to other NHS Trusts in year. In this way capital spending is optimised in year. Brokerage arising from revenue underspends needs to be identified separately as it needs to be returned the following year for revenue spending as opposed to capital. Brokerage provided by NHS Trusts from capital and used temporarily for revenue in one year but returned for capital purposes the next similarly needs to be identified.

## **Health Authorities**

### Virement of capital cash limits to revenue

21. Where a Health Authority wishes to make a case for the virement of capital cash limits to revenue, it should seek the agreement of its Regional Office. If the region agrees, it will arrange with Headquarters to increase the revenue cash limit and reduce capital. All such adjustments will score against the region's virement threshold.

### Health Authority brokerage

22. Where a Health Authority temporarily wishes to use slippage on its capital cash limit for revenue purposes it should declare the underspend as part of inter year flexibility (IYF) arrangements, and bid for an increase in its revenue cash limit through IYF. Where agreed by the Regional Office, cash limits will be adjusted in year through IYF adjustments. All adjustments will be reversed in the next year, so there will be no loss to capital overall.

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**PART THREE: CHANGES TO THE NHS TRUST FINANCIAL REGIME**

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**Summary**

23. This part of the circular advises NHS Trusts of a number of changes to the NHS Trust Financial Regime brought about by the Health Act 1999, namely replacement of Interest Bearing Debt (IBD) with Public Dividend Capital (PDC) and changes to the policy for investing with the private sector. It provides information and the supporting Determinations on:

- (i) conversion of interest bearing debt to Public Dividend Capital;
- (ii) revised arrangements for collection of PDC dividends and capital repayments of PDC;
- (iii) early notice of planned changes to the list of approved institutions for the investment of temporary cash surpluses.

**Action**

24. This part contains guidance relating to:

- (i) PDC issued or treated as issued and in particular payment of PDC dividends and PDC repayments;
- (ii) Revised Determinations setting out the terms and conditions are attached at Annex A, and;
- (iii) changes to arrangements for investing temporary cash surpluses effective from 1 April 2000.

**BACKGROUND**

25. Health Service Circular 1998/144 gave information on changes to NHS Trust Balance Sheets following the publication of The new NHS white paper. It notified NHS Trusts of the replacement of long term IBD with PDC and indicated the government's intention to phase out all other IBD. The Health Act 1999 provides for the conversion of the remaining Originating Capital Debt (OCD) IBD with PDC. From 1 September 1999 the balance sheet financing structure of NHS Trusts in relation to government debt comprises entirely PDC.

26. The Health Act also provides for Secretary of State to direct NHS Trusts as to where they may invest temporary cash surpluses.

**CONVERSION OF INTEREST BEARING DEBT TO PUBLIC DIVIDEND CAPITAL**

27. Section 15 of the Health Act allows for the OCD of an NHS Trust to be called "Originating Capital" and that the Originating Capital shall be PDC. This means that new NHS Trusts (including those established on 1 April 1999) will be set up with a single PDC financing structure, which will be simpler and easier to understand. For existing NHS Trusts Section 16 provides for the conversion of the OCD IBD to PDC. Unlike the exercise to replace long term interest bearing loans with PDC there are no cash transactions required.

28. The 1999/00 NHS Trusts Manual for Accounts (which is available on the internet at [www.DOH.GOV.UK/FINMAN.HTM](http://www.DOH.GOV.UK/FINMAN.HTM)) will provide guidance on how to report the conversion in the annual accounts for the year.

## **FUTURE POLICY ON PDC DIVIDENDS**

29. Section 15 sub section 5(a) of the new Act states that the Secretary of State can determine at any time the dividend payable on any PDC issued, or treated as issued. In the past, NHS Trusts have made one dividend payment a year on 15 March. In future, NHS Trusts will normally be required to make two dividend payments per year on 15 September and 15 March, remitting half the Trust Debt Remuneration (TDR) on each date.

## **YEAR END CASH BALANCES AND CAPITAL REPAYMENTS OF PDC**

30. With effect from the date of this circular, capital repayments of PDC will be required, where appropriate, to reduce excess end of year cash balances to an acceptable level. The NHS Trust can make repayments at any time, subject to prior agreement with the NHS Executive. The NHS Executive can request that the NHS Trust makes a repayment at any time.
31. As you will be aware, in 1998/99 the NHS Executive carried out an exercise to reduce the level of end of year cash balances in the NHS Trust sector. It is important that cash balances do not increase again above this level. NHS Trusts will be required to make repayments where their end year cash balances are forecast to exceed a maximum sum. This will be based on turnover. The limit is likely to be set at around 0.3% of turnover. Under these new arrangements, NHS Trusts can plan to retain up to this maximum level of cash balances at each year-end. Please note that this is an end of year balance only and does not permit any more cash spending than that authorised under the NHS Trust's EFL.
32. NHS Trusts with a positive EFL would not normally be expected to make any capital repayments of PDC (unless they ended the previous year with cash balances higher than their threshold). NHS Trusts with a negative EFL will be building up cash reserves and will be expected to make a repayment equivalent to the amount held above the threshold.
33. Similarly, NHS Trusts that sell assets should use the proceeds to repay debt unless there is an immediate cash requirement for capital spending. If NHS Trusts are in any doubt whether a repayment of PDC is necessary, then they should contact their Regional Office.
34. The accuracy of an NHS Trust's year-end cash flow forecast should improve as the year-end approaches. However, as soon as an NHS Trust considers a repayment of PDC will be necessary, then it should contact the NHS Executive to make arrangements to agree a repayment of PDC. Under these new arrangements it will not be acceptable for NHS Trusts to hold large excess cash balances in order to earn interest receivable, only to offer a repayment later in the year.

## **INVESTMENTS**

35. Section 84 of the Health Act made provision for Secretary of State to specify in Directions where NHS Trusts may hold cash and investments and the maximum amounts an NHS Trust may deposit in any investments or class of investments. It is intended to invoke a Direction with effect from 1 April 2000.
36. FDL (95) 42 dated 19 July 1995 gave details of treasury management in NHS Trusts and also a list of approved institutions in which NHS Trusts could invest. The new Direction will specify

that NHS Trusts must invest with Paymaster or the National Loans Fund Temporary Deposit Facility. However, a maximum of £50,000 in total can be held with other approved institutions where this is necessary for operational reasons. These other approved institutions will be the same as are included in the current FDL. In the meantime the existing guidance of FDL (95) 42 should be followed until the end of March 2000.

## **CONTACTS**

For Queries on Parts 1 and 2 of this circular please contact either John Guest (telephone 0113 254 5466) or John Doran (telephone 0113 254 5471).

For queries on Part 3 of this circular the contacts are:

for the policy and arrangements for making repayments please contact Gill Guzder (0113 254 5423) or Alison Chavasse (0113 254 5479).

For details of the National Loans Fund Temporary Deposit facility please contact Samantha Stalley (0113 254 5478).

For NHS Trust specific queries please contact your NHS Executive Regional Office.

This circular has been issued by: The Private Finance Initiative and Capital Investment Branch, NHS Executive, Quarry House, Leeds.

A handwritten signature in black ink, appearing to read 'Colin L Reeves', with a long horizontal flourish extending to the right.

**COLIN L REEVES**  
**DIRECTOR OF FINANCE AND PERFORMANCE**

**DETERMINATION UNDER SECTION 9 (7) OF THE NATIONAL HEALTH SERVICE AND COMMUNITY CARE ACT 1990 RELATING TO THE TERMS ON WHICH PUBLIC DIVIDEND CAPITAL IS ISSUED OR TREATED AS ISSUED**

The Secretary of State for Health, in exercise of his powers under section 9(7) of the National Health Service and Community Care Act 1990 and of all other powers so enabling him, with the consent of the Treasury, hereby makes the following Determination:

**Interpretation**

- 1. In this Determination, unless the context otherwise requires:  
 “the 1990 Act” means the National Health Service and Community Care Act 1990;  
  
 “initial public dividend capital” means the public dividend capital referred to in section 9 (4) to the 1990 Act;  
  
 “additional public dividend capital” has the meaning given under paragraph 5(1) of schedule 3 to the 1990 Act;

**Application**

- 2. This Determination applies to all National Health Service Trusts in England.

**Terms of Issue of Public Dividend Capital**

- 3. Public dividend capital is issued, or treated as having been issued, on the terms set out in the Schedule to this Determination
- 4. The terms referred to in paragraph 3 above replace the terms on which public dividend capital is issued or treated as issued specified in the Determination of 20 February 1998.

Signed on behalf of the  
Secretary of State for Health

Signed on behalf of  
the Treasury

.....  
Member of the Senior Civil Service

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Name: J B Tomlinson

Name: M Evershed

Dated: 16 November 1999

**SCHEDULE****TERMS FOR INITIAL AND ADDITIONAL PUBLIC DIVIDEND CAPITAL****Dividends**

1. (1) The Secretary of State, with the consent of the Treasury, may require an NHS Trust to pay him a dividend on an NHS Trust's initial or additional public dividend capital in respect of any period at any time.
  - (2) Where the Secretary of State, with the consent of the Treasury, determines in accordance with sub-paragraph (1) the dividend which is payable, he shall notify the NHS Trust:
    - (a) of the determination;
    - (b) of the amount of the dividend;
    - (c) of the period in respect of which it is payable;
    - (d) if he requires payment by a particular method, of the method by which he requires payment.
  - (3) The NHS Trust shall pay the dividend to the Secretary of State, by any method which he may have required, within the period of 10 days beginning with that on which it received the notification under sub-paragraph (2).
  - (4) In calculating the period of 10 days no account shall be taken of a Saturday, a Sunday or a bank holiday in England under the Banking and Financial Dealings Act 1971.
  - (5) If the payment is not made within the period of 10 days, interest shall be due from the NHS Trust to the Secretary of State from the first day after the expiry of that period until the date of payment at the rate for each day which is the daily equivalent of the greater of:
    - (a) the annual rate of interest, to be determined by the Treasury, for a loan made from the National Loans Fund on the date on which the public dividend capital was issued; or
    - (b) the annual rate of interest, to be determined by the Treasury, for a loan made from the National Loans Fund on the date the payment had been due appropriate for the period equal to the delay in payment.
  - (6) Where an NHS Trust is required to pay a dividend in respect of public dividend capital, and the payment of the whole or part of that dividend is late, interest shall be payable at the rate specified in sub-paragraph (5).
  - (7) For the purpose of calculating the interest payable under sub-paragraph (6) where part of the dividend is paid late, any payment which is received shall be credited first towards payment of the proportion of the dividend which relates to the initial public dividend capital and then to the proportions of the dividend which relate to any additional public dividend capital in the order in which it was issued.

- (8) Upon receipt of a demand from the Secretary of State in respect of additional interest payable under sub-paragraph (5) the NHS Trust shall pay to the Secretary of State the amount due within the period of five working days beginning with the day on which it received the demand.

**Repayment of capital**

2. The Secretary of State may with the consent of Treasury,
- (a) require payments from the NHS Trust in discharge of part (but not all) of its initial public dividend capital and in respect of all of its additional public dividend capital
  - (b) without prejudice to sub-paragraph (a), accept (whether or not subject to conditions) payments from the NHS Trust in discharge of part (but not all) of its initial public dividend capital and in respect of all of its additional public dividend capital.



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**DETERMINATION UNDER SECTION 16(4) OF THE HEALTH ACT 1999 RELATING TO THE AMOUNT AND TIME FOR PAYMENT OF INTEREST ON NHS TRUSTS' INITIAL LOANS IN RESPECT OF THE PERIOD ENDING WITH 31 AUGUST 1999**

The Secretary of State for Health, in exercise of his powers under section 16(4) of the Health Act 1999 and of all other powers so enabling him, with the consent of the Treasury, hereby makes the following Determination:

**Application**

1. This Determination applies to all NHS Trusts in England.

**Amount and time for payment of interest on NHS Trusts' initial loans in respect of the period ending 31 August 1999.**

2. The amount and time for payment of interest on the outstanding amount of an NHS Trust's initial loan in respect of the period ending 31 August 1999 is to be determined in accordance with the Schedule to this Determination.

Signed on behalf of the  
Secretary of State for Health

Signed on behalf of the  
Treasury

.....  
Member of the Senior Civil Service

.....

Name: J B Tomlinson

Name: M Evershed

Dated: 16 November 1999

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**SCHEDULE****Amount and Rate of Interest**

1. The amount of interest on the outstanding amount, as at 31 August 1999 of an NHS Trust's initial loan in respect of the period ending with that date shall be calculated by reference to the annual rate of interest prevailing on the date of establishment of the NHS Trust, as determined by the Treasury, payable for a loan made from the National Loans Fund.
2. The Secretary of State shall notify the NHS Trust of the amount of the payment and the method by which he requires payment.
3. The NHS Trust shall pay the amount referred to in paragraph 2 within the period of 10 days beginning with that on which it received the notification under paragraph 2. In calculating the period of 10 days no account shall be taken of a Saturday, a Sunday or a bank holiday under the Banking and Financial Dealings Act 1971.
4. If payment is not made within the period of 10 days interest shall be due from the NHS Trust to the Secretary of State from the first day after the expiry of that period until the date of payment at the rate each day which is the daily equivalent of the greater of:
  - (a) the rate referred to in paragraph 1; or
  - (b) the rate prevailing, as determined by the Treasury, on the day payment was due under paragraph 3 for a loan made from the National Loans Fund.
5. Upon receipt of a demand from the Secretary of State in respect of additional interest payable under paragraph 4 the NHS Trust shall pay to the Secretary of State the amount due within 5 days (ignoring Saturdays, Sundays and bank holidays) beginning with the day on which it received the demand.