

To Finance Directors – NHS Foundation Trust

Date: 7 October 2010

Gateway reference: 14934

Public Dividend Capital 2010-11

1. This note explains the basis on which public dividend capital (PDC) is available to finance capital expenditure at NHS foundation trusts (FTs) in 2010/11.
2. PDC is available in the following instances
 - To finance capital allocated from Department of Health Capital Budgets in 2010/11
 - To finance asset transfers between FT and other NHS bodies via “circular flow of funds” arrangements.

DH Capital Budgets 2010/11

3. PDC is available to FTs to finance allocations from DH central budgets in 2010/11. All central capital allocations in 2010/11 are cash backed. That is to say, FTs will be able to draw PDC equal to the amount allocated.
4. FTs should only draw down PDC when it is needed to meet costs associated with the allocation. However, DH cannot carry forward any unspent PDC.
5. DH cannot give PDC for DH central capital funding allocated in previous years that has slipped in 2010/11. The DH funded is not funded for slippage, so cannot fund slippage in the NHS.
6. The total amount allocated for DH capital budgets in 2010/11 is shown at annex A. The DH will not be allocating any more capital to the NHS this financial year.
7. PDC is drawn down on a weekly cycle. FTs wanting to draw PDC should contact Nicola Henderson on 0113 254 6607 nicola.henderson@dh.gsi.gov.uk.

Circular Flows of Funds

8. As in previous years, FTs will be able to transfer assets between themselves and other NHS organisations, via a circular flow of funds. The DH will consider actioning a circular flow of funds provided the following conditions are satisfied.
- The sale price must be at Existing Use Value, per the selling organisation's accounts. Where any doubts exist as to whether the correct valuation is being used, DH will need to be provided with information as to the valuation of the asset in the selling organisation's last set of audited accounts preceding the planned sale and will consider this information in its decision.
 - The selling organisation must repay PDC equal to the amount advanced to the buying organisation, such that there is a circular flow of cash.
 - The asset must at all times be on the balance sheet of one or other organisation, such that a full year's PDC dividend is payable on it.
 - There shall be a de-minimis threshold of £100,000, below which DH will not consider circular flows.
 - The PDC for a circular flow of funds will normally be issued after the trust drawing the cash has confirmed that the transaction has been completed.
9. FTs that want to action a circular flow of funds in 2010/11 should complete the form at annex B and send to Alison Chavasse and Mike Kemp by 1st November. DH will validate returns from FTs to confirm that the details and values of the transfer are the same as reported by the other party in the transaction. Alison and Mike's details are Alison.Chavasse@dh.gsi.gov.uk and Mike.Kemp@dh.gsi.gov.uk