



National Health Service in Scotland  
Management Executive

St. Andrew's House  
Edinburgh EH1 3DG

Dear Colleague

**CHANGE IN DEFINITION OF CAPITAL  
EXPENDITURE - TRANSFER FROM CAPITAL TO  
REVENUE ALLOCATIONS**

**Summary**

1. Boards, the State Hospital, Trusts and prospective Trusts are asked to estimate, in the light of the new definition of capital expenditure, what sum should be transferred from their capital allocations for 1993-94 to their revenue allocations.

**Background**

2. NHS Circular FIN (CC) (1992)7 included at Annex B changes to the definition of capital expenditure. Paragraph 4 raised the de minimis level from £1,000 to £5,000. Paragraph 5 removes the concept of grouped assets. Paragraph 6 allows the capitalisation of initial revenue equipment costs. Paragraph 9 allows expenditure which does not enhance value to be classed as revenue. The changes in paragraphs 4, 5 and 9 mean that Boards' and Trusts' revenue expenditure will increase but be offset by a reduction in capital expenditure. Paragraph 6 will however reduce this effect.

3. NHS MEL (1992)47 asked Boards and Trusts to provide the Management Executive with capital plans for 1993-94 to 1995-96. Boards and Trusts were required to include in these plans estimates of the amount they would need for equipment replacement programmes (Form A4) and for the existing estate (including backlog maintenance - Forms A1 to A4).

**Action**

4. Boards and Trusts should send to the Management Executive an estimate for 1993-94 of the amount of their bids for equipment and for the existing estate which, if they were successful, should now be classified as revenue in the light of the new definition of capital. Since the total of those 2 bids from all Boards and Trusts is likely to exceed the resources which will be available for these aspects, it is likely that we will scale down the amounts pro-rata to the total before moving these sums from capital to revenue in the 1993-94 allocations. For future years we shall move a

12 November 1992

**Addressees**

For Action  
General Managers,  
Health Boards General  
Manager, State  
Hospital

Chief Executives and  
Chief Executive  
Designate, NHS Trusts

Project Managers of  
Proposed Second Wave  
Trusts

For Information

General Manager,  
Common Services Agency

Directors of Finance,  
Health Boards  
Directors of Finance  
State Hospital  
Directors of Finance  
and Directors of  
Finance Designate, NHS  
Trusts

**To be copied to:**

Unit General Managers  
for Information

**Enquiries to:**

Mrs M H Beattie  
Strategic Planning and  
Performance Review  
Division  
NHS Management  
Executive  
Room 274  
St Andrew's House  
EDINBURGH  
EH1 3DE

Tel: 031 244 2396  
Fax: 031 244 2051

similar amount, adjusted for price movement, and will expect Boards and Trusts to reflect the new definitions in future capital bids for equipment and the existing estate.

5. We accept that absolute accuracy in estimating the amounts involved will be difficult to achieve. However Boards will be able to use the normal virement arrangements to deal with any discrepancies.

6. Questions on this circular should be addressed as follows:-

Definition of Capital Expenditure

Mr P Colville  
Room 254  
St Andrew's House  
Tel: 031 244 2175

Effect of change upon bids for existing estate

Mr R F Lowe  
Room 348  
St Andrew's House  
Tel: 031 244 2076

Effect of change on bids for equipment

Mrs M H Beattie  
Room 274  
St Andrew's House  
Tel: 031 244 2396

Effect on Trusts

Mrs S Goldsmith  
Room 254  
St Andrew's House  
Tel: 031 244 2383

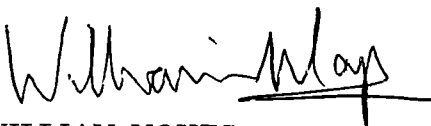
7. Responses to this circular giving the 2 amounts to be transferred from the bids for equipment and for existing estate should be sent, by 23 November 1992 to:

Mrs M K Wood  
NHS Management Executive  
Room 269  
St Andrew's House  
Edinburgh  
EH1 3DE

Failure to meet this deadline may result in the Management Executive deciding on the amounts to be transferred.

8. Please copy this circular to Unit General Managers for information.

Yours sincerely



WILLIAM MOYES  
Assistant Secretary