



NHS Management Executive
St. Andrew's House
Edinburgh EH1 3DG

14th July 1997

Dear Colleague

RETENTION OF CAPITAL RECEIPTS

Summary

1. This letter introduces a revised policy for the retention of capital receipts from 1 April 1998.
2. As a general principle and subject to the conditions set out in the attached annex, NHS Trusts and Boards will normally be allowed to retain receipts from sources external to the NHS in Scotland as follows:
 - a) For receipts up to £500,000, the full value.
 - b) For receipts over £500,000 and up to £1m, £500,000.
 - c) For receipts over £1m and up to £8m, 50% of the value.
 - d) For receipts over £8m, £4m.
 - e) The retention of a greater share of a receipt, up to the full amount, may be permitted following the approval of a criteria submission for each disposal with a value of up to £4m and a full business case for each disposal with a value of £4m or more.
3. All NHS Trusts and Boards are required to comply with the criteria set out in the attached annex.
4. Receipts which arise from the transfer of assets between Health Bodies in Scotland will be dealt with separately on a case by case basis, as they do not involve the inflow of additional resources to the NHS.

Background

5. It is currently estimated that approximately 42% of NHS estate is not essential, that is, not needed for operational purposes in the medium to long term. This represents a

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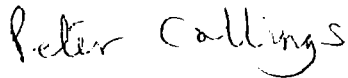
significant resource which must be released and reinvested in patient care. Health Boards and NHS Trusts must therefore dispose of surplus property at the earliest opportunity in accordance with the Property Transactions Handbook.

Action

6. NHS Trusts and Boards are asked to consider collectively how assets can be most effectively utilised within their area and to reflect this within their strategies. All Health Boards and NHS Trusts are expected to have a robust estates strategy which flows from their overall strategic plan.

7. For 1997/98 Health Boards and NHS Trusts must continue to obtain ME approval in every case where receipts arise. The use of receipts will be dealt with on a case by case basis, the underlying principle being that the patients should benefit from this resource. (As far as possible decisions will be consistent with the new arrangements proposed from April 1998).

Yours sincerely



Dr Peter Collings
Director of Finance

ANNEX

Criteria for Retention of Receipts

In order for the receipt to be retained by a Health Board or NHS Trust, the following guidelines must be complied with:

i) The receipt should have been properly disclosed within forward financial plans submitted to the Management Executive. In the case of Trusts, this will be the financial proformas submitted to the Trust Finance Unit in May and September. In the case of Health Boards, the CSA and the State Hospital, this will be the capital proformas for the forward 3 years submitted to the Director of Finance in June.

ii) All Trusts and Health Boards must have an estates strategy which sets out their plans for their current estate and future development over the next five years. This strategy should be placed in the context of the Health Boards care strategies and NHS Trusts broader corporate plan and service strategy. The plans should be updated in parallel with the update of strategic plans and should be agreed between the Health Board and the appropriate Trust(s).

Whilst we would not intend to be prescriptive regarding the content of the plans, the strategy should be referenced to the Health Boards care strategies and should include:

- a) The estates appropriateness to strategic changes in services position.
 - b) The existing condition and performance of assets within the estate, eg physical condition, functional suitability, space utilisation.
 - c) Details of the necessary rationalisation to reduce land holdings to the essential and plans for the utilisation of any receipts from sale.
 - d) Proposed re-investment (either capital or non-recurring revenue), consistent within capital proformas submitted to the Management Executive. All capital development should continue to adhere to the business case process as set out in the Capital Investment Manual.
 - e) The benefits to be derived from the changes to capital assets, eg improvements in patient care, reduced revenue costs.
- iii) Surplus property should be disposed of as soon as possible in accordance with the guidance contained in the NHS Property Transactions handbook. Health Boards and NHS Trusts should not hold on to surplus property or land in the expectation of realising a higher price, although they should establish whether there is any immediate prospect of increasing the value.
- iv) Health Boards and NHS Trusts will not be required to submit Estate Strategies routinely. However, we intend to sample strategies on an annual basis to ensure guidelines are complied with.