



Dear Colleague

PRACTICE PREMISES REVALUATION EXERCISE – 1 APRIL 2018

Summary

1. NHS: [PCA\(D\)\(2017\)3](#) advised NHS Boards and Practitioner Services of an exercise to update valuations of practice premises for the purposes of reimbursement of practice rental costs under Determination XV of the Statement of Dental Remuneration. The Memorandum to this letter provides further information on the revaluation exercise.

Action

2. NHS Boards and Practitioner Services are asked to note the information about the revaluation exercise contained in the attached Memorandum.
3. NHS Boards are asked to issue the Memorandum to this letter to all dentists and dental bodies corporate on their dental lists.

Yours sincerely

MARGIE TAYLOR
Chief Dental Officer

11 October 2017

Addresses

For action

Chief Executives, NHS Boards

Director, Practitioner Services

For information

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**DENTISTS/DENTAL BODIES CORPORATE
NATIONAL HEALTH SERVICE
GENERAL DENTAL SERVICES**

PRACTICE PREMISES REVALUATION EXERCISE – 1 APRIL 2018

1. The Memorandum to NHS: PCA(D)(2017)3 advised of an exercise to update valuations of practice premises for the purposes of reimbursement of practice rental costs under Determination XV of the Statement of Dental Remuneration. This Memorandum provides further information on the revaluation exercise, including the professional valuer appointed to undertake this exercise.
2. The Valuation Office Agency (VOA) has again been appointed to undertake the valuation of dental premises in Scotland which are classed as either fully or partially NHS committed.
3. Eligible practices were sent a *Rent Revaluation Practice Questionnaire*, which should have been completed and returned to their NHS Board by 22 September 2017. These questionnaires will be provided to the VOA as part of the revaluation exercise. If a practice has not returned a completed questionnaire, and/or a copy of the current lease where in a leasehold arrangement, this may affect the rent reimbursement payments due to the practice from 1 April 2018.
4. As advised in the Memorandum to NHS: PCA(D)(2017)3 the revaluation exercise will comprise a desktop exercise of all eligible practices with around 20 per cent of practices being inspected. The inspection programme is scheduled to begin late October/early November 2017 and will take several months to complete. The VOA will shortly be in touch with those practices which have been randomly identified for inspection or where inspection will be required for other reasons. The VOA may also contact practices to discuss any queries they have regarding leasehold arrangements.
5. Those practices not selected for an inspection will have their valuations based on a desktop exercise comprising the information from the previous round of inspections for the 2015 exercise, the information supplied as part of this round and changes in the market rentals in the area of your practice reflected via a scheme of valuation adopting beacon methodology. Where possible valuations undertaken on a desktop basis will be validated against those valuations prepared for the premises selected for inspection.
6. The basis for valuations is detailed in the attached Annex. Contractors are reminded that these valuations will be provided only for the purposes of rent reimbursement costs in accordance with Determination XV.
7. Further information will be issued on completion of the re-valuation exercise.
8. Any enquiries arising from this Memorandum should be taken up with your NHS Board.

Scottish Government Population Health Directorate.
11 October 2017

DENTAL PRACTITIONERS RENT AND RATES SCHEME

Factors Common to all Rental Calculations

The procedures for calculating a market rent for notional rent reimbursement purposes where the premises are owner occupied differ from the procedures for calculating the amount of rent to be reimbursed where premises are occupied under an existing or proposed lease.

However, there are a number of common factors which the valuer must consider when arriving at an assessment of the rent which can be reimbursed under this scheme. For these purposes it must be assumed that:

- (a) the contractor's remuneration is so arranged that this rent and any VAT is reimbursed separately; and
- (b) at any one time only one contractor is permitted to be in the market to use the premises for dental practice purposes.

In addition to the above there are rules which must be adhered to when the practice accommodation forms part of an owner-occupied residence and includes areas which are used regularly but not exclusively for practice purposes. In such circumstances the rent will be assessed for the practice accommodation with a percentage addition to reflect the extent and usage by the practice of the additional area.

Where the practice accommodation forms part of an owner-occupied residence and does not include areas which are used regularly but not exclusively for practice purposes the rent will be assessed for the practice accommodation only but as part of the whole premises and not increased or reduced to reflect any advantage or disadvantage due to the practice accommodation not being in separate premises.

Factors which apply where a Notional Rent requires to be Calculated

Where premises are owner-occupied the assumptions to be made by the valuer about the nature of the notional lease are as follows:

- The lease to be a term of 15 years with rent reviews at 3 year intervals.
- That the lease includes a covenant whereby the tenant undertakes to bear the cost of internal repairs and decoration and the landlord undertakes to bear the cost of insuring the building and of carrying out external repairs and maintenance.
- The lease does not include a service charge or like payment for such items as upkeep, maintenance (including life maintenance where appropriate), cleaning and heating of common parts.
- The property is available with vacant possession.
- The rent is exclusive of rates.

- The lease includes a right for the tenant to assign or sub-let the whole premises subject to the landlord's consent which is not to be unreasonably withheld.
- The lease allows the premises to be used for practice purposes and for any other purpose which planning permission has been granted or might reasonably be expected.

Factors Which Relate to Leasehold Premises

In these circumstances the valuer must first of all have regard to the actual terms of the lease and in determining an appropriate rent under this scheme may require to make adjustments reflecting:

- Any amount referable to residential accommodation except where this can be taken into account as described above.
- Other non-practice accommodation.
- Furniture or moveable equipment including the rent costs.
- Services or other facilities including the rent.
- The value of any responsibility of the landlord in respect of internal repairs or decoration.
- The value of any responsibility of the tenant in respect of external repairs and maintenance or for insurance of the building.
- Any premium paid by the tenant.
- Any VAT paid by the tenant where properly charged to the tenant by the landlord.

The above adjustments either by way of deductions or additions to the rent passing are not exclusive.

The majority of rental valuations are calculated on the basis of Net Internal Area (NIA). NIA is defined within the Royal Institution of Chartered Surveyors (RICS) Code of Measuring Practice 6th edition as the useable area within a building measured to the internal face of the perimeter walls at each level. NIA excludes non useable areas including toilets, plant rooms, permanent corridors, stairwells, internal structural walls, areas with a headroom of less than 1.5m. In addition, those parts of a property that do not have permanent access e.g. attics and basements with ladder access, will also be excluded.