

Health and Social Care Integration Directorate
Chief Dental Officer and Dentistry Division



Dear Colleague

PRACTICE PREMISES REVALUATION EXERCISE – 2014/15

Summary

1. This letter advises NHS Boards and Practitioner Services of an exercise to update valuations of GDP practice premises for the purposes of reimbursement of practice rental costs under Determination XV of the Statement of Dental Remuneration.

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 **urgently** copy and issue the Memorandum to this letter to all dentists and dental bodies corporate on their dental lists.

Yours sincerely

MARGIE TAYLOR
Chief Dental Officer

8 October 2014

Addresses

For action

Chief Executives, NHS Boards

Director, Practitioner Services

For information

Chief Executive,
NHS National Services Scotland

Chief Executive,
NHS Education for Scotland

Enquiries to:

Lynne Morrison
Chief Dental Officer and Dentistry
Division
1st Floor East Rear
St Andrew's House
EDINBURGH
EH1 3DG

Tel: 0131-244 2529

Fax: 0131-244 2326

NHSgeneraldentalservicesmailbox@scotland.gsi.gov.uk

PRACTICE PREMISES REVALUATION EXERCISE – 2014/15

1. This Memorandum advises contractors 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 (SDR).

2. Under Determination XV (Reimbursement of Practice Expenses) of the SDR practices that meet the conditions of entitlement, as set down in paragraph 2 of that Determination, can receive reimbursement of practice rental costs. The costs to be reimbursed are either:

- the current market rent or actual lease rent for the premises in the case of contractors who are leaseholders, whichever is the lower; or
- the notional rent, which is the current market rental value, in the case of contractors who are owner occupiers;

less any abatement. The current market rent/rental value is determined by the valuer appointed by the Scottish Government or NHS Board.

3. The current market rent/rental value should be reviewed every 3 years and the last review should have taken place in 2012 with the next review being due in 2015. The review in 2012 did not take place. It has therefore been decided to combine the 2012 and 2015 reviews.

4. A professional valuer, the Valuation Office Agency (VOA), has been appointed to undertake the valuation of dental premises in Scotland which are either NHS committed or partially committed, irrespective of whether the practice currently receives rent reimbursement. The valuation exercise will begin on 20 October 2014 and will be completed by 28 February 2015. The VOA will contact practices shortly to arrange convenient times for premises visits and to ask that contractors complete a questionnaire prior to the visit. Valuations will be determined as at 1 April in both 2012 and 2015.

5. The basis for valuations is detailed in the attached Annex. Contractors are advised that these valuations will be provided only for the purposes of rent reimbursement costs in accordance with Determination XV.

6. Further information will be issued on completion of the re-valuation exercise.

7. Any enquires arising from this Memorandum should be taken up with your NHS Board.

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.