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Warrington Health Authority	
15 APR 1988	
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NHS MANAGEMENT BOARD

Department of Health & Social Security

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From the Director of Financial Management

TO: All General Managers

*Chairman
for CRG and Frank Cooke
- Agenda Day meeting.*

5 April 1988

Dear General Manager

(1) As the member of the NHS-Management Board with responsibility for income generation (IG) and the central IG unit, I am writing to set out our initial thinking at the centre regarding the general areas in which income can be generated, and to encourage authorities to identify and develop their own sources of additional income.

IMPLEMENTATION

(2) The success of income generation projects will depend to a large extent on the way in which appropriate commercial principles are brought into play in the preparatory stages. These include:

(a) drawing on available experience in the NHS and elsewhere to identify fruitful ideas (authorities will be aware of a preliminary index of income generation schemes drawn up by and available from the National Association of Health Authorities);

(b) evaluating the commercial opportunities available to each authority, the market for particular services or facilities, and the likely returns, with a view to maximising net income;

(c) taking all relevant costs into account to ensure that schemes are profitable;

(d) assessing the relative merits of the direct operation of commercial facilities or services and approaches involving leasing or franchising. It is expected that in most cases the latter option will be preferable to avoid an excess diversion of management attention to these activities;

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certainly the possibility of inviting contractors to tender for the total management of all income generation activities should not be ruled out. In such cases it will be appropriate for authorities to have some continuing oversight of these activities to ensure that undesirable schemes are not introduced;

(e) assessing and monitoring the risk involved in any venture whether a direct operation or a leasing or franchising arrangement.

INCOME GENERATION UNIT

(3) As you all know we are in the process of establishing a central IG unit, under my responsibility, headed up by Ron Kerr who is currently the DGM with North Hertfordshire DHA. Its remit will be to help authorities develop and implement income generation projects, to develop policy on income generation and to disseminate good practice. It will also monitor the success of the income generation initiative.

AREAS FOR CONSIDERATION

(4) The possibilities for income generation are very broad indeed. Many authorities have already attempted a number of projects, and new ideas are continually being developed. The areas which appear to offer most potential include:

- commercial concessions to retailers and other businesses, and other opportunities for leasing space;
- static advertisements for services and products on billboards or interior noticeboards, and filmed advertisements as part of a video display for outpatients;
- development of catering facilities of all descriptions for visitors, for staff and for local organisations;
- the sale of services such as health screening, child minding, conference facilities, computer programming, documentation, printing, photocopying, artwork, medical physics, laundries, waste disposal and heating;
- charges for rationalised and secure car parking facilities;
- sale of goods, equipment and materials made available as a result of industrial therapy work, upgrading of equipment and disposal of X-ray films.

(5) It is also very likely that greater attention to income generation will yield unforeseen opportunities in other areas.

LEGAL AND OTHER CONSTRAINTS

(6) Income generation activities should neither act to the detriment of NHS patients nor interfere with the duty of authorities to provide services under the NHS Act 1977. It follows from this that authorities cannot introduce charges for facilities or services that are required to be provided under that Act. The Management Board does not wish to see schemes developed that run counter to general health policies, that might be regarded as being in poor taste or that involve undue risk. Authorities will also need to take account of any existing activities by voluntary organisations and discuss any changes fully with them with a view to ensuring that their services are channelled into those areas where they can be of most benefit. In short, we expect health authorities to act sensitively over the way in which they undertake or introduce commercial activities.

(7) That said, it is not our intention to be prescriptive in this area. Different opportunities will exist for individual health authorities. It is recognised that there is an entrepreneurial aspect to the identification and management of opportunities which the Management Board wishes to develop within the appropriate constraints outlined in the preceding paragraph.

(8) The Government is seeking new powers in the Health and Medicines Bill to enable authorities to pursue as wide a range of income generation schemes as is practical and sensible. Supplementary guidance will be issued by the IG Unit when the Bill has been enacted. For the time being, authorities should concentrate on using existing facilities or capacity for income generation, and they should not normally be acquiring extra capacity or facilities for that purpose. Apart from this general reservation, if there is any doubt about the legality of a particular project, authorities should seek legal advice locally before proceeding.

ACCOUNTING FOR INCOME

(9) Until more detailed advice is incorporated into the Manual for Accounts, authorities should account for this income in accordance with the principles given in Appendix 1 of the Manual. As this will mean that additional income resulting from income generation will not be specifically identifiable in annual accounts, authorities are asked to maintain a separate Income Generation Memorandum Trading Account in order to demonstrate profitability and to account for all relevant costs.

MONITORING OF INCOME

(10) To enable the Management Board to monitor the progress of income generation, authorities will be asked to provide information on planned and achieved levels of income generated through the short term programme/outturn report process, starting with plans and achievements for the 1988/89 financial year.

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ACTION

(11) In the light of the guidelines set out in this letter, authorities are asked to prepare action plans which will identify and pursue those business opportunities which will enable them to capitalise as quickly (and profitably) as possible on their local resources and to commit them to an ongoing programme of business development. Although Ron Kerr will not be available on a full-time basis to head the central IG until later in the spring, he will be involved on a part-time basis from immediately after Easter. One of his early priorities will be to visit all RHAs and establish his initial "modus operandi" with regional management teams. With this aim in mind, he or his secretary will be contacting RGMS in the near future.

Ian Mills

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