

Revaluation 2023

Public Buildings Committee

Practice Note 21

Valuation of Clinics, Health Centres and Primary Care Centres

1.0 Introduction

- 1.1 This Practice Note deals with the valuation of Clinics, Health Centres and Surgeries etc which are occupied by organisations such as local Health Boards and Medical Practices. There is a wide range of subject types and sizes covered by this Practice Note ranging from the large multi-functional Health Centres and Primary Care Centres to be found in cities, towns and rural areas to Medical Centres and Surgeries operated by General Practice groups which can be located in virtually any building type or location.
- 1.2 Generally, there is little to distinguish between Health Centres, Surgeries and Primary Care Centres, save for the fact that in any given location Health Centres may be relatively larger than Surgeries and will contain additional accommodation supporting activities such as dentistry, chiropody, speech therapy, physiotherapy, etc. For the most modern subjects which provide a high degree of regular medical or clinical treatment, consideration should be given to application of Public Building Committee Practice Note 26 – Valuation of Hospitals.

2.0 Basis of Valuation

Before determining the appropriate method of valuation of Clinics, Health Centres and Primary Care Centres, consideration should be given to the relevant case law – for background refer to the Lands Tribunal decision in *NHS Greater Glasgow & Clyde v Assessor for Renfrewshire Valuation Joint Board and the Assessor for the City of Glasgow Council LTS 2014*.

2.1 Contractor's Basis

The following types of Health Centres/Clinics/Surgeries would normally be expected to be valued on the Contractor's Basis. It is unlikely that suitable rental evidence will exist for the following types of property and therefore the Contractor's Basis may be deemed appropriate.

- (a) Purpose built (or purpose adapted) specialist units, e.g., Dialysis Units or Diagnostic Centres.
- (b) Health Centres converted from other specialist buildings, e.g., hospitals or schools.
- (c) Health Centres located adjacent to and operated in tandem with Hospitals (general/cottage).
- (d) Health Centres where there are no other comparable commercial properties in the general locale.

2.2 **Comparative Approach**

Where this type of subject has the characteristics of an office, retail or industrial building and/or is located within an established location for those type of properties, prevailing rental levels for that type of property may provide the best evidence of Net Annual Value. Purpose built clinics, health centres and primary care centres valued on the comparative approach should reflect the characteristics of comparative properties in the general locale.

Where the subjects are to be valued by the Comparative Principle building areas should be calculated using local measuring practice.

Pharmacies within Health Centres

Particular care should be applied to the treatment of Pharmacies situated within, or attached to, Health Centres where they may be separately occupied. These may be considered in accordance with Commercial Properties Committee PN 40 - Valuation of Shops.

The remaining sections of this practice note relate exclusively to situations where the Contractor's Basis is deemed the appropriate method of valuation.

3.0 **Survey and Measurement - Contractor's Basis**

- 3.1 Building areas should be calculated on a gross external basis (GEA) for each main floor. Attic floor accommodation should be calculated on a gross internal (GIA) basis excluding any area under 1.5 metres in height.
- 3.2 Where a subject is of older construction e.g. stone, and has thicker than normal walls, the area should be adjusted on a floor by floor basis in accordance with SAA Public Buildings Committee Practice Note 4 (Valuation of Contractor's Basis Subjects, Areas Adjustment and External Works' Costs) to adjust the floor area to the modern equivalent.
- 3.3 Site area should be calculated together with the areas of any car parks, roadways and other paved or landscaped surfaces. Measurements and details of boundary walls, fences and any other items in the nature of external works, civil works or plant and machinery should also be noted.

4.0 Building and External Works Cost

4.1 The available cost evidence was analysed in accordance with SAA Basic Principles Committee Practice Note 2 (Contractor's Basis Valuations). The unit cost rate(s) derived reflect a Scottish Mean location factor, a £4m contract size and a tone date of 1 April 2022.

5.0 Valuation

5.1 Valuations should be carried out in accordance with SAA Basic Principles Committee Practice Note 2 (Contractor's Basis Valuations).

5.2 Recommended unit cost rates excluding professional fees are noted below.

5.3 For external works reference should be made to section 6.2 below.

6.0 Estimated Replacement Cost (ERC)

6.1 Unit Cost Rate (Buildings)

The following unit cost rates per square metre should be applied to gross external areas (GEA) to arrive at the estimated replacement cost.

<u>Description</u>	<u>Unit Cost per m²</u>
Category 1 Buildings constructed since 2005	£2500
Category 2 Buildings constructed up to 2005 with no significant improvements to bring up to a post 2005 standard	£1500

Where a category 2 Clinic, Health Centre or Primary Care Centre is improved or extended and provides accommodation similar to category 1, it will be a matter of valuer judgement as to the appropriate unit cost to apply to the relevant parts. Where such an extension comprises a large, new standalone facility, then the appropriate cost will be that applicable to category 1.

<u>Prefabricated Buildings</u>	<u>Description</u>	<u>Unit Cost per m²</u>
Modular Buildings	Buildings of prefabricated sectional design internally insulated and plasterboard lined, with accommodation similar to permanent buildings, sited on permanent hardstanding and serviced.	£1,150
Portable Cabins	Transportable as complete units with basic connection to services, sited on rudimentary base and providing adequate temporary accommodation.	£750
Inferior Prefabricated Buildings	Inferior quality, poor or no insulation, lacks services, typically to HORSAs hut standard.	£550

6.2 Unit Cost Rates (External Works)

External works should be valued in accordance with SAA Public Buildings Committee Practice Note 4 (Valuation of Contractor's Basis Subjects, Areas Adjustment and External Works' Costs).

6.3 Outbuildings

Garages and other outbuildings may also be added at appropriate rates based on local evidence or other practice notes. Care should be taken to ensure that values attributed to old buildings, which may be of little use or even redundant, are reasonable.

6.4 Adjustments to ERC

Adjustments in respect of contract size and additions for professional fees should be made in accordance with the recommendations contained in SAA Basic Principles Committee Practice Note 2 (Contractor's Basis Valuations).

7.0 Adjusted Replacement Cost

7.1 In applying age and obsolescence allowances reference should be made to guidance in SAA Basic Principles Committee Practice Note 2 (Contractors Basis Valuations) – Column E. In particular it should be noted that allowances in respect of age in excess of 60% should only be given to buildings and plant in exceptional circumstances.

7.2 Further allowances of a functional and technical nature should be considered in accordance with SAA Basic Principles Committee Practice Note 2 (Contractor's Basis Valuations) and SAA Public Buildings Committee Practice Note 4 (Valuation of Contractor's Basis Subjects, Areas Adjustment and External Works' Costs), particularly those referring to inferior system built structures and inferior flat roof construction.

7.3 Buildings without Lifts Provision

Buildings or affected parts of buildings without lifts may be granted an allowance as indicated in the table below.

2 storeys	-5%
3 storeys	-10%
4 storeys	-15%
5 storeys & above	-20%

If, in the case of buildings of two storeys or above, a particular floor such as an attic is significantly smaller than the main floors or consists of a basement of poorer quality, then such a floor should be excluded from the determination of an appropriate lift allowance to be applied to the whole building in the table above.

8.0 Plant and Machinery

8.1 Buildings' unit cost rates above are inclusive of service plant typically found in subjects covered by this Practice Note. Rateable items of plant and machinery not already reflected in these rates should be dealt with in terms of the Valuation for Rating (Plant & Machinery) (Scotland) Regulations 2000 (as amended) and valued in accordance with the Rating Cost Guide Scotland.

9.0 Land

9.1 Land value should be determined by reference to local evidence and SAA Basic Principles Committee Practice Note 2 (Contractor's Basis Valuations).

10.0 Decapitalisation Rate

10.1 The appropriate decapitalisation rate should be applied.

11.0 End Allowance

11.1 Any factors or circumstances which might affect the value of the occupation of the lands and heritages as a whole should be reflected at this stage. An adjustment under this head should not duplicate adjustments made elsewhere.