Pinders profile

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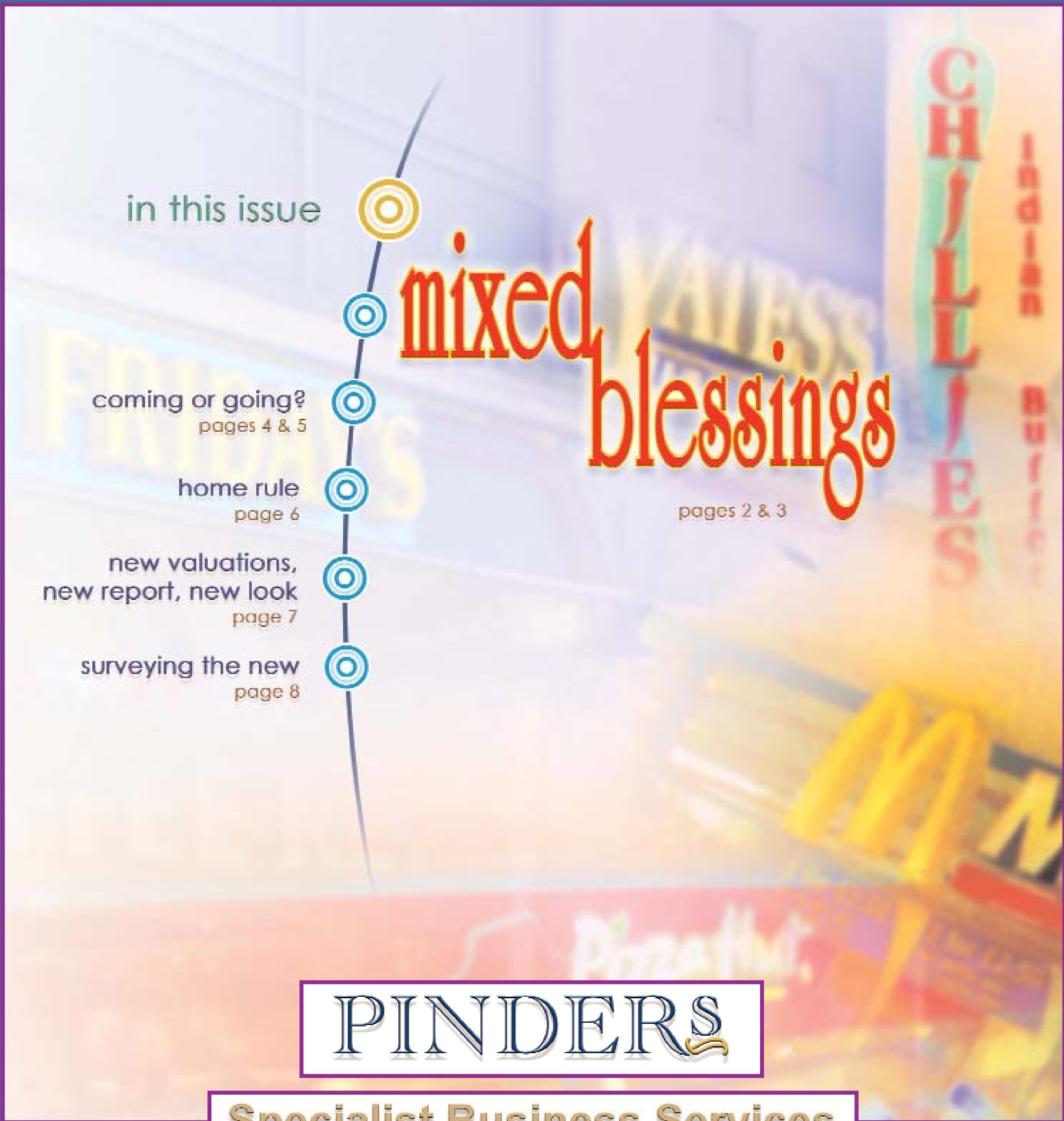

in this issue

PINDERS

Specialist Business Services

mixed blessings

In this brave new world of cyber cafés, superpubs and drive-thrus, it has long been recognised that the planning regulations are due for overhaul. As part of the Government's proposed reforms to the entire planning system, a consultation process on the UCO was set in motion in January this year.

The area that attracted most comment and concern during the consultants' research was the A Class: primarily A3 food and drink. The solution recommended was to combine the current A1, 2 and 3 into a new 'mixed retail' class for units below 100 sq m, based on the principle that the mix of uses should be determined primarily by the market. Food-led and drink-led outlets above 100 sq m would be split into two groups, with hot food takeaways and drive-thrus in a class of their own.

This, more flexible, proposal has been welcomed by many operators and developers, who relish the idea of greater freedom and the opportunity to boost growth and prosperity. Indeed, some radicals have called for a sweeping away of the class system altogether, creating one universal class and letting market forces dictate the shape and pattern of town and city centres.

But is this such a good idea? As Martin Bacon, Chief Executive of the Civic Trust, warned, "We do not want an ever-increasing number of shops converting to pubs, bars and clubs, resulting in more nuisance for residents and a loss of diverse facilities".

In a separate, unrelated study, the Institute of Alcohol Studies drew attention to the problems that a "market-led monoculture of licensed premises and fast food outlets" had created, leading to "a social environment in which hedonism and disorder become the norm". Research showed that high concentrations of licensed premises had proven to be hotspots of violence, the increase in outlets seeing a mirrored rise in the number of violent assaults. The IAS blamed "civic entrepreneurs" who had allowed market forces to create this situation.

Indeed, the consultation process highlighted the problems already experienced in the A class category. Urban pubs were seen as under threat from conversion into fast food takeaways and drive-thrus. Local authorities raised concerns about the proliferation of sandwich bars and coffee shops in town centres - a kind of 'Starbucks Wars' - leading to loss of amenity and diversity. Respondents cited noise, crime and anti-social behaviour, opening hours, and environmental factors (eg litter, smell) as their primary concerns.

Whilst economic growth and development is desirable, it must be balanced against the needs of the populace. As Jonathan Phillips, of specialist licensing solicitors Poppleston Allen, pointed out, residents "want tighter controls to protect amenity and minimise environmental impact". He termed the 100 sq m threshold "arbitrary", warning that it could encourage exploitation by operators undertaking changes to premises below the threshold and subsequently expanding. Such action would not be governed by the UCO and might not justify control by other means.

Anyone who has seen the film "It's A Wonderful Life" will remember the transformation of pleasant small town Bedford Falls into the nightmarish vision of Pottersville: a sinkhole of bars and bawdy-houses. Already, some observers believe similar elements can be seen in some of our town and city centres: streets stuffed with pubs, clubs and cheap fast food joints, awash with alcohol-fuelled youths at night. The result can be increased crime, vandalism, fouling of pavements, and the effective exclusion of a large proportion of the community, wary of venturing out in the evening. It is arguably not enough to say that market forces will decide. Left to their own devices, town centres can quickly spiral into degeneration, whilst fair and effective controls help to maintain thriving, pleasant and diverse communities.

The Government was quick to emphasise that the planning system was not intended to duplicate controls offered by other regulatory bodies, such as licensing and Environmental Health. It pointed to the new police powers to close disorderly, noisy or unlicensed drinking establishments. Nonetheless, it is universally acknowledged that the police force is already overstretched, and that greater resources are needed to successfully implement the new planning system and other regulatory controls.

Over-concentration of use is in no-one's best interests. If the market is insufficient, then either custom is spread more thinly, or outlets are forced to close, wasting time, energy and money, and reducing public confidence in the high street. If enough trade is found, the problems highlighted earlier arise. A subsequent backlash could lead to even more stringent regulations being created, whether through planning or other authorities. However, if diversity of amenity is to be encouraged, then planning controls alone will not be sufficient. Coupled with these must be a lowering or restructuring of rents to a more realistic and achievable level.

Whilst John Prescott issued a Policy Statement - "Sustainable Communities - Delivering Through Planning" - in July, his response to the Use Classes consultation was still being "carefully considered", with a further announcement yet to be made. Maybe Mr Prescott should check out his local video store, and decide whether he is on the side of Jimmy Stewart and the angels!

Coming

In a previous issue of Pinder Profile we reported on the short lifespan of the National Care Standards Commission, which was only 18 days old when its replacement was announced. The Care Standards themselves haven't lasted much longer before they too have been subject to a Government change of heart.

The announcement of a review of those standards relating to the physical environment in homes, by Health Secretary Alan Milburn, has been generally received as a complete U-turn and a recognition that a nutcracker rather than a sledgehammer might have been the more appropriate implement to crack the quality of care nut. Understandably, many care home owners have interpreted Mr Milburn's announcement as a complete scrapping of the care standards, but we need to be wary of taking such a black and white view. To be pedantic, all that has been announced thus far is a review of the standards, with a consultation period extending through to November. It is unlikely, therefore, that any changes will be implemented until the New Year. Having said this, the consultation paper issued by the Government has the look of a finished article and we doubt if their aim to take the heat off the existing homes will be modified by much.

But even on the assumption that the proposals will be adopted, what impact will this have on the sector? We are already hearing of home owners upwardly revising their asking prices in the wake of Mr Milburn's announcement, but is this really justified? Certainly, it is good news for homes that faced large capital expenditure, loss of beds or even closure by 2007; they can continue to trade in their present format indefinitely. But if such homes are offered to the market for sale, the standards will still come into play. Potential purchasers know the standards and are not keen to

or going?

take on anything that isn't, or can't readily be made, compliant. They will still be enquiring about room sizes, ratios, passenger lifts and the like and if they don't, the lenders supporting their purchase certainly will be.

The position is further complicated by the role of the Commission Inspectors, who now face several months of having to enforce standards that may not be effective from next year. Again, whilst they will have to take a softer approach with existing home owners, they will want to raise the standards at the time of any change of ownership - wasn't it always thus? Whilst this may be beyond the strict boundaries of their jurisdiction, there is more than one way to skin a cat. If you want to be registered, you need to show a commitment to, as well as an understanding of, the standards.

So, whilst we will be monitoring market evidence closely, we don't anticipate any rapid or significant changes in values resulting from this change of heart. That's not to say that we won't see prices rising, however, as fees, occupancy and profits continue to rise in many areas. But it will be interesting to see if the Government's intervention will stem the tide of home closures and, if so, will the slow-down in market concentration have a corresponding effect on the rise in values? If logic suggests that a rapidly reducing supply leads to a rapid uplift in values for what remains, it should follow that a slower pace of change will dampen the increase in values.

It is a pity that the continuing uncertainty about the standards, combined with the constant talk of crisis within the sector, is serving to depress activity at a time when most knowledgeable analysts accept that the long term future of the care home sector is positive. When reading the repeated stories of doom and gloom in the press, one has to question why so many people are still desperate to buy a care home and join such a bleak profession!

home rule

With the closure of many care homes in recent months, and the consequent reduction in beds available, it would seem logical to conclude that a greater number of persons will need to be cared for in their own homes. This appears to be good news for domiciliary care agencies: these providing a wide range of services up to full nursing care for the severely dependent.

Whilst the exact number of agencies in England is not known, the UK Home Care Association is said to have around 1,200 members, and Government estimates place the number of people working in this industry at approximately 185,000: the majority in the independent sector.

Until now, these agencies have been largely unregulated: a matter that the Department of Health now intends to address. The problems with the current system are manifold: lack of training or supervision of the workforce; inconsistent quality and reliability; inconsistent checking of staff/ operators' suitability; etc. This has led to fears that highly dependent and vulnerable people are being placed at risk and open to abuse.

The Department of Health, via the National Care Standards Commission, is set to standardise this aspect of care, with the introduction of registration and annual inspection, and regulatory standards to ensure quality of provision and accountability. The start date has been set back to 1 January 2003 to allow time for service providers to "gear up" for the new system.

The benefits of the new regulations are clear. Those agencies already maintaining high standards, and bearing the costs of such, will undoubtedly welcome the 'level playing field' created. Some agency owners to whom we have spoken believe that there are operators who have been "getting away with it for too long": the lack of regulation enabling them to continue trading despite low standards and inexperienced staff. The lower operating costs enjoyed by such agencies allow them to tender cheaply for Local Authority block contracts, and since price is the main consideration when awarding such contracts, this gives them an unfair advantage.

Inevitably, there is a financial burden associated with the development and implementation of the new system. Due to the lack of data held regarding the size of the sector, and the broad range and variety of agencies involved, the Department of Health has been unable to issue firm guidelines as to the costs involved. However, pilot exercises during the consultation process suggest that training and supervision requirements will have the greatest financial impact.

At present, it is estimated that 95% of care workers and 55-65% of operators/managers do not hold relevant qualifications. It is intended to move towards 50% of the workforce providing personal care being trained to NVQ Level 2 (care workers) and Level 4 (managers) or equivalent, by April 2008. Preliminary estimates place the cost of this training at approximately £1,300 per person.

This is in addition to the new Employment Agencies Regulations (still awaited, but expected to come into force in 2003), which will contain a number of provisions relevant to domiciliary care agencies.

Many agency owners, whilst providing a high standard of care, operate on a small scale, often from home, and with very limited margins. Consequently, they do not have the necessary funds to address the new standards and, since they are unlikely to be able to increase the fees charged to reflect the additional investment required, consider the level of return to be insufficient to warrant implementing the standards.

At Pinders, we have been in discussions with a number of operators of small agencies, who are now at a crossroads. They face a choice between gearing up to meet the new regulations, with all of the associated costs, or selling to/merging with larger organisations. Our belief is that over the coming year we will see the market consolidate into fewer, but larger, providers, who will have the 'critical mass' required to withstand this more pressured environment. The days of the small-scale 'cottage industry' may be coming to an end in the domiciliary care sector: larger operators will benefit from the economies of scale and flexibility to provide quality service within the new system.

NEW VALUATIONS, NEW REPORT, NEW LOOK

Although the changes in valuation definitions introduced by the Royal Institution of Chartered Surveyors in August can hardly be described as earth-shattering, they have resulted in some revisions for our reports and some uncertainty about the process of instructing a valuation.

Most noticeable, but of least consequence, is the replacement of Open Market Value (OMV), Estimated Realisation Price (ERP) and Estimated Restricted Realisation Price (ERRP) with Market Value and variations of this, taking account of specified assumptions. Whilst there are no limitations on what special assumptions can be indicated by the instructing client, most have chosen to utilise the choices that applied to the ERRP valuation. These include a time restriction to sell, whether the business is open or closed, and whether the inventory has been removed.

Many of the lending institutions have already changed their letters of instruction to incorporate the new definitions and our reports will obviously provide the specific opinions requested. Generally, we are including the Market Value, which equates to the former OMV, and further values for the business, still open but with no accounts and a six month sale period, and once closed. We will also comment on any likely alternative use for a business property and whether this might attract a higher value.

The new Practice Statement also places a greater duty on valuers to provide a clear commentary on their valuation and the market in which the business operates. Whilst this is something which we would expect of specialist valuers, we have taken the opportunity of reviewing the depth and scope of the comments we make, particularly when reporting to clients who may be less experienced in the business sectors being considered.

As part of the review undertaken by the RICS and British Banking Association, a suggestion was put forward that valuers should only accept instructions from lenders and not from third parties involved in arranging the loan application. This was rejected as being "unworkable and possibly illegal", but a duty has been placed on valuers to make borrowers aware that some lenders may not rely upon a report which they have not commissioned. We will therefore continue to act for brokers and operators, as well as lenders, but they should check the policy of the lenders they approach in this regard.

The Pinder Report will incorporate a number of changes to meet these new requirements and we will also be introducing a number of new innovations to assist clients further with their assessment of each business.

The RICS has also indirectly influenced our new corporate style, which will be evident on all of our stationery. The need to incorporate their new logo on our letterhead was a good excuse to introduce a fresh look - we hope you like it.

"Surveying the New"

As part of Pinders' ongoing expansion, we are delighted to welcome five more Valuers to our national team, and four more additions to our Graduate Training programme.

Cirion Plant strengthens our Northern valuation team, benefiting from his recent role as Head of Healthcare Agency Division in Manchester.

Whilst Cirion will concentrate on the healthcare sector, Keith Royle will focus primarily on licensed/leisure business in the North West from his base in Sale. Keith brings a wealth of experience, having worked for both financial organisations and regional and national breweries.

David Hossack is an experienced business valuer, who also adds rent review and rating expertise to our Midlands team. David will cover the West Midlands and Mid Wales from Trentham.

Across in the East Midlands we welcome two new recruits. Paul Roberts is based in Huntingdon and can call on a wide range of surveying experience from his time with Lambert Smith Hampton and D H Barford and Co.

Richard Stamp has experience in both the retail and healthcare sectors and he will take over the Nottingham area previously covered by Marek Bilecki whose time is now fully taken up with valuer training.

Our new Graduates comprise Gurdial Flora (De Montfort), Melanie Lovelady (Aberdeen), Joshua Gale (Sheffield Hallam) and Deborah Joynt (Oxford Brookes).

From left to right: Joshua Gale, Melanie Lovelady, Deborah Joynt and Gurdial Flora

PINDERS

Pinder House Central Milton Keynes MK9 1DS

Telephone : 01908 350500 Facsimile : 01908 350501 E-mail : pcs@pinders.co.uk

www.pinders.co.uk www.pinderpack.com