

Finance and Resources Committee

10.00am, Tuesday 12 June 2018

Proposed Lease – Panmure St Ann’s, 6 South Gray’s Close, Edinburgh

Item number	7.19
Report number	
Executive/routine	
Wards	Ward 11 – City Centre
Council Commitments	

Executive Summary

This report seeks Committee approval to lease the property at 6 South Gray’s Close to NHS Lothian (NHSL) for a period of 20 years at a peppercorn rent, with an option to extend the lease by 10 years, for the provision of the Edinburgh Inclusive Homelessness Service (EIHS).

This report also seeks approval to utilise part of the premises for use by the Council for the provision of EIHS services.

NHSL will carry out refurbishment works to the property at a cost of around £2.98m and will meet the majority of the running costs.

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1. Recommendations

1.1 That Committee:-

- 1.1.1. Approves the lease of 6 South Gray’s Close to NHS Lothian (NHSL) on the main terms and conditions outlined in this report, including leasing back part of the property to the Council for the provision of services in relation to the Edinburgh Inclusive Homelessness Service, with other terms and conditions to be agreed by the Executive Director of Resources.

2. Background

- 2.1 The subjects of this report comprise the former Panmure St Ann’s Special School, which ceased operating from the premises in June 2017.
- 2.2 It is now proposed to provide the new Edinburgh Inclusive Homelessness Service (EIHS) from the property through a lease to NHSL. The EIHS is a key service provided by the Edinburgh Health and Social Care Partnership for people affected by homelessness in the City. Several sites were considered for the delivery of this service, and it is considered that this central building offers the most appropriate accommodation and location.
- 2.3 NHSL will run the property and lease part to the Council for the provision of EIHS services, to allow relocation of Council staff from their current base at Leith Street, to deliver a single, consolidated location for the delivery of this service.

3. Main report

3.1 The following main heads of terms for the lease to the NHSL have been provisionally agreed:-

- Lease term: 20 years with a tenant break option at the end of year 10 and an option to extend for a further 10 years from the end of the lease.
- Rent: £1 per annum, if asked.
- Works: NHSL will carry out refurbishment works to be agreed with the Council, as landlord.
- Repairing obligations: NHSL will be responsible for repairs and maintenance.

- Insurance: The Council, as landlord, will insure the property and recover the premium from NHSL.
 - Running Costs: NHSL will pay the majority of running costs (with a partial costs recovery agreement outlined below).
- 3.2 It has also proposed that the Council will occupy part of the premises to provide services in relation to the EIHS. The terms of this will be formalised in an occupation agreement.
- 3.3 The Council will occupy approximately 36% of the property but pay a minority share of the running costs (approximately 19%). In turn, NHSL will pay the balance (approximately 81%). This has been agreed in order to partially address the opportunity cost of rental income from the property (described in the financial impact below).
- 3.4 The final occupancy figures may change as the proposals for the service develop. The recently appointed EIHS Manager will work closely with NHSL and the Council to determine the detail of how the EIHS will be provided.

4. Measures of success

- 4.1 Formalising the use of the property for the EIHS to provide services to people affected by homelessness from a single location.

5. Financial impact

- 5.1 The opportunity cost of the estimated market rental for the property is approximately £90,000 per annum. Once complete the Council will occupy 36% of the floor space and this will reduce the opportunity cost to approximately £57,500 pa. This will be offset by:-
- Net property cost savings to the Council of relocating the current Council service from Leith Street (approximately £23,400 per annum).
 - Rental income from the vacated property at Leith Street (estimated at £50,000 to £60,000 per annum).
 - The Council will benefit from the significant improvements to the property being carried out and funded by NHSL (currently estimated at £2.98m).
- 5.2 It is envisaged that the non-property related costs of providing the current service from Leith Street will transfer to the EIHS and remain largely unchanged.

6. Risk, policy, compliance and governance impact

- 6.1 The proposals will be considered by the Asset Investment Group of the Edinburgh Health and Social Care Partnership on 18 May 2018 and NHSL's Lothian Capital Investment Group on 31 May 2018.

7. Equalities impact

- 7.1 The proposal in this report to grant a lease of the building does not have a significant additional impact on people, equalities, the economy and the environment.

8. Sustainability impact

- 8.1 The proposal in this report to grant a lease of the building does not have a significant additional impact on people, equalities, the economy and the environment.

9. Consultation and engagement

- 9.1 The appropriate ward members have been informed of the recommendations contained within this report.

10. Background reading/external references

- 10.1 None.

Stephen S. Moir

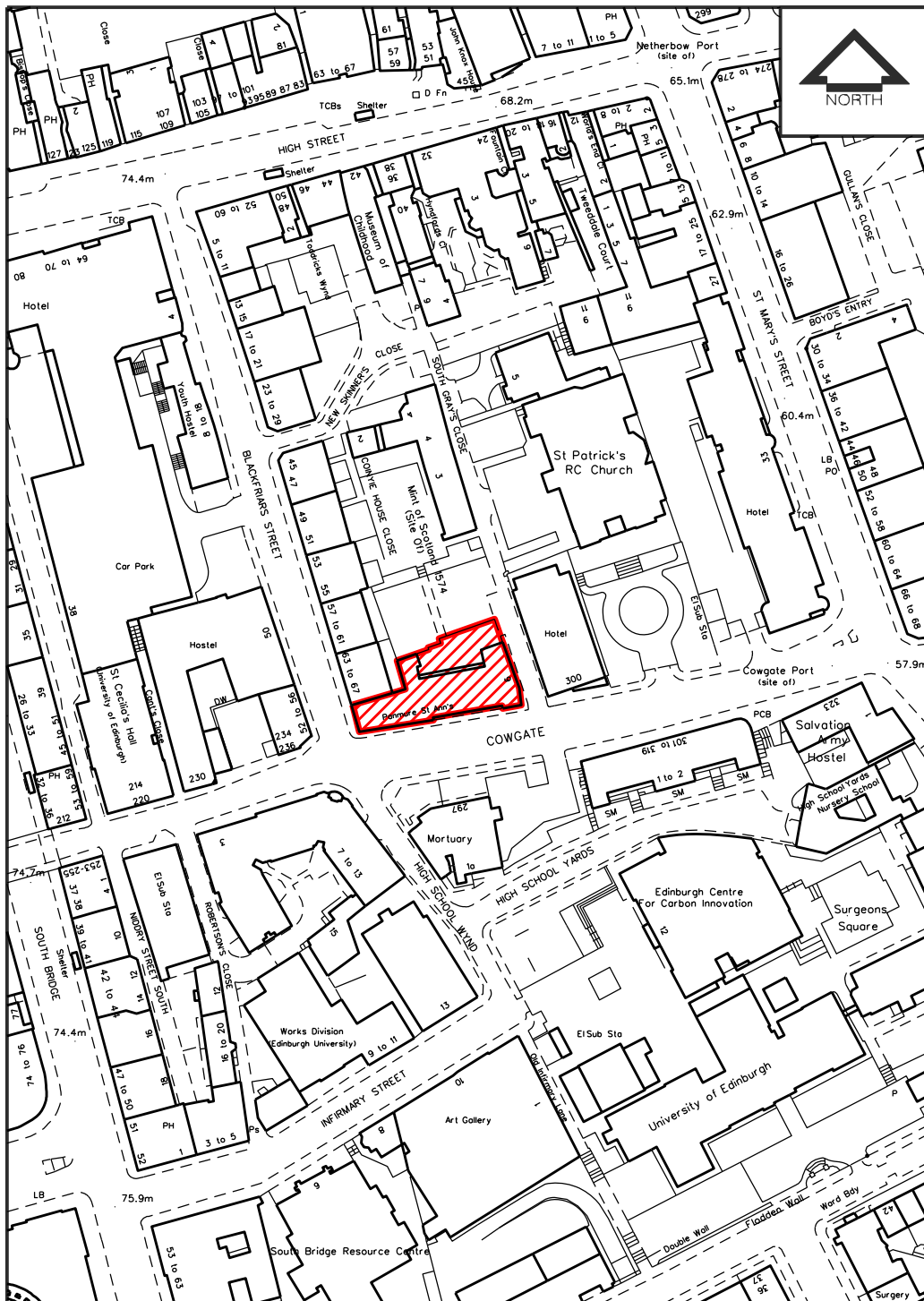
Executive Director of Resources

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11. Appendices

- 11.1 Appendix 1 – Location plan



LOCATION PLAN

PHOTOGRAPHICALLY REDUCED NOT TO SCALE

SITE PLAN

• EDINBURGH • THE CITY OF EDINBURGH COUNCIL	
PROPERTY AND FACILITIES MANAGEMENT RESOURCES	
PANMURE ST ANN'S SPECIAL SCHOOL 6 SOUTH GRAYS CLOSE EDINBURGH	
DATE	26/4/18
SURVEYED BY	Third Party
DRAWN BY	Mark Ballantyne
SCALE	N.T.S.
NEG. NO.	A3/1949

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