

Finance and Resources Committee

10.00am, Thursday, 4 March 2021

Liberton Hospital, Edinburgh – Proposed Acquisition

Executive/routine Wards Council Commitments	Executive Ward 16– Liberton/Gilmerton 1 , 2 , 10 , 11
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1. Recommendations

1.1 That Committee:

- 1.1.1 Approves the purchase of Liberton Hospital following the completion of due diligence and on the terms and conditions outlined in this report; and,
- 1.1.2 Notes that a further report will be brought to a future Finance and Resources Committee to provide an update on the progress of the acquisition.

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Executive Director of Resources

Paul Lawrence
Executive Director of Place

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Liberton Hospital, Edinburgh – Proposed Acquisition

2. Executive Summary

- 2.1 The Council has been working closely with public sector partners to increase land supply to support affordable housing provision and deliver place-based regeneration. An opportunity has arisen to acquire the Liberton Hospital site in a direct purchase from NHS Lothian and partner landholders. This report seeks approval to proceed with the purchase on the terms and conditions outlined in the report.

3. Background

- 3.1 On [14 January 2021](#), the Housing, Homelessness and Fair Work Committee approved a report that updated progress on the land strategy for Council led housing development. Land supply continues to be one of the main risks to the delivery of brownfield sites and affordable housing. Whilst good progress is being made, further land acquisition by the Council and new investment models and partnerships with the private sector, Registered Social Landlords and other partners will be required to get private and public sector sites developed. This approach aligns with the preferred option for urban area development contained within Choices for Cityplan 2030 which also promotes public sector partners working closer together.
- 3.2 Council owned land supply is becoming increasingly limited so there is a need to work with public sector partners to bring forward land to deliver cross-sector wider public outcomes. In 2018, the Chief Executive established and currently chairs a grouping of public sector partners called the Place Based Opportunities Board with senior representation from the Council, NHS Lothian, Police Scotland (Edinburgh Division), Scottish Government and Scottish Futures Trust. This has provided a forum for partners to come together to develop a more joined up and place-based approach to the creation and disposal of assets. The Council is actively seeking to strategically position itself as purchaser of first resort to public bodies in the city.
- 3.2 NHS Lothian is a key partner who can help support the land strategy but it is also vital that the Council works in partnership across Housing and Health and Social Care sectors to develop innovative solutions to the specific needs identified locally including, for example, roles for extra care, step down, amenity or other forms of specialist and digitally enabled homes.

- 3.3 There is an opportunity for the Council to acquire the Liberton Hospital site as a Council led housing development to deliver new models of housing and care. The hospital is located on the eastern side of Lasswade Road, to the north of its junction with Ellen's Glen Road, approximately 4 miles south of the city centre. The site consists of three parcels of land owned by NHS Lothian, Scottish Blood Transfusion Service and Edinburgh and Lothians Health Foundation extending in total to 6.71 hectares (16.59 acres) as shown shaded on the plan attached at Appendix 1 and is programmed to be surplus to the respective agencies' requirements.

4. Main report

- 4.1 The Council has been in discussions with NHS Lothian for a potential acquisition of the site for several months. This has resulted in Heads of Terms being agreed, in principle, for a purchase as follows:-

- Subjects Liberton Hospital, Lasswade Road, Edinburgh;
- Purchaser: City of Edinburgh Council (Housing Revenue Account);
- Gross Purchase Price: £16.375m (plus LBTT and Vat (in part));
- Date of Entry: After purification of all suspensive conditions;
- Conditions:
 - i) The Purchaser being satisfied that the Title to the property is good and marketable;
 - ii) The Purchaser being satisfied as to the decommissioning information provided by the Vendor (to include full decommissioning certification);
 - iii) The Purchaser being satisfied with all technical information relating to the buildings/structures to remain on site;
 - iv) The Purchaser being satisfied as to the utility capacity of the site;
 - v) The Purchaser being satisfied with the results of their own ground investigation survey;
 - vi) The Purchaser being satisfied as to the results their own demolition survey and quote for the taking down of any remaining buildings, including asbestos removal;
 - vii) The Purchaser being satisfied with a detailed inventory of what will remain in the building when it is vacated;
 - viii) Finance and Resources Committee Approval
 - ix) NHS Lothian/National Services Scotland/Edinburgh and Lothians Health Foundation approval for the sale.

- 4.2 To arrive at the gross purchase price, the District Valuer was jointly instructed by the Council and NHS Lothian to provide a valuation based on an assumed density of development of 400 units. In the absence of technical information such as a site investigation, a gross valuation was provided from which deductions will be agreed for demolition, abnormal ground conditions etc once the Council due diligence has been completed.
- 4.3 For example, a demolition quote for the buildings obtained by NHS Lothian to clear the site is £560k. The Council will obtain their own quote however this cost will be deducted from the purchase price.
- 4.4 Similarly, the cost of treating abnormal ground conditions will also be deducted. An intrusive site investigation has been commissioned by the Council, with early findings indicating some site contamination commensurate with the age of existing buildings and former uses.
- 4.5 The purchase of the site will not be conditional on the Council seeking planning permission for residential development. This means that the Council will be purchasing the site with risks remaining that are associated with the potential listing of the historic building, protected trees, road layout and design. However, due diligence prior to the purchase will be completed to mitigate these risks. The site has been identified as a proposed housing site in the emerging City Plan.
- 4.6 One of the key reasons for the Council being able to acquire the site direct is certainty over the amount and timing of a receipt. NHS Lothian could potentially obtain a higher figure should the site be exposed to the market however this would be subject to the uncertainty of the planning process and payment could be phased over several years.
- 4.7 NHS Lothian will require an overage provision within the sale agreement whereby should the Council obtain a planning permission for an increased number of units for private sale then a pro rata figure per additional unit would be payable. This is a standard clause in disposals of this nature.

5. Next Steps

- 5.1 Following approval of the terms by Finance and Resources Committee, the due diligence will be completed and a net price for the purchase of the site agreed with NHS Lothian.
- 5.2 Thereafter the purchase will be completed after all suspensive conditions are purified. An update report on the progress of the purchase will be provided to a future committee.
- 5.3 As there are hospital beds on the site which remain to be decommissioned it may be necessary to phase the purchase of the site.

6. Financial impact

- 6.1 The purchase price (including LBTT) will be funded from a combination of Strategic Housing Investment Fund (SHIF) and up to £3m of Affordable Housing Supply Programme grant. The SHIF is a combination of HRA Repairs and Renewals funding and the Council Tax Discount Fund. Funding from SHIF resources to support the acquisition of land has been reported to the Finance and Resources Committee in February through the HRA Budget Strategy (2021-2031) report.
- 6.2 Until final due diligence has been completed, the final net purchase price is yet to be quantified. Based on the Heads of Terms the maximum price for the site would be circa £15.775m (the gross valuation less indicative demolition costs) however it is anticipated that there will be further deductions when the findings of the ground investigation survey are known.
- 6.3 The Scottish Blood Transfusion Service site, which accounts for approximately 45% of the total site area (shaded blue on the attached plan) is elected for VAT which will be payable on that element of the purchase price. As the land is being acquired for the delivery of Council objectives it will be possible to reclaim the VAT paid.

7. Stakeholder/Community Impact

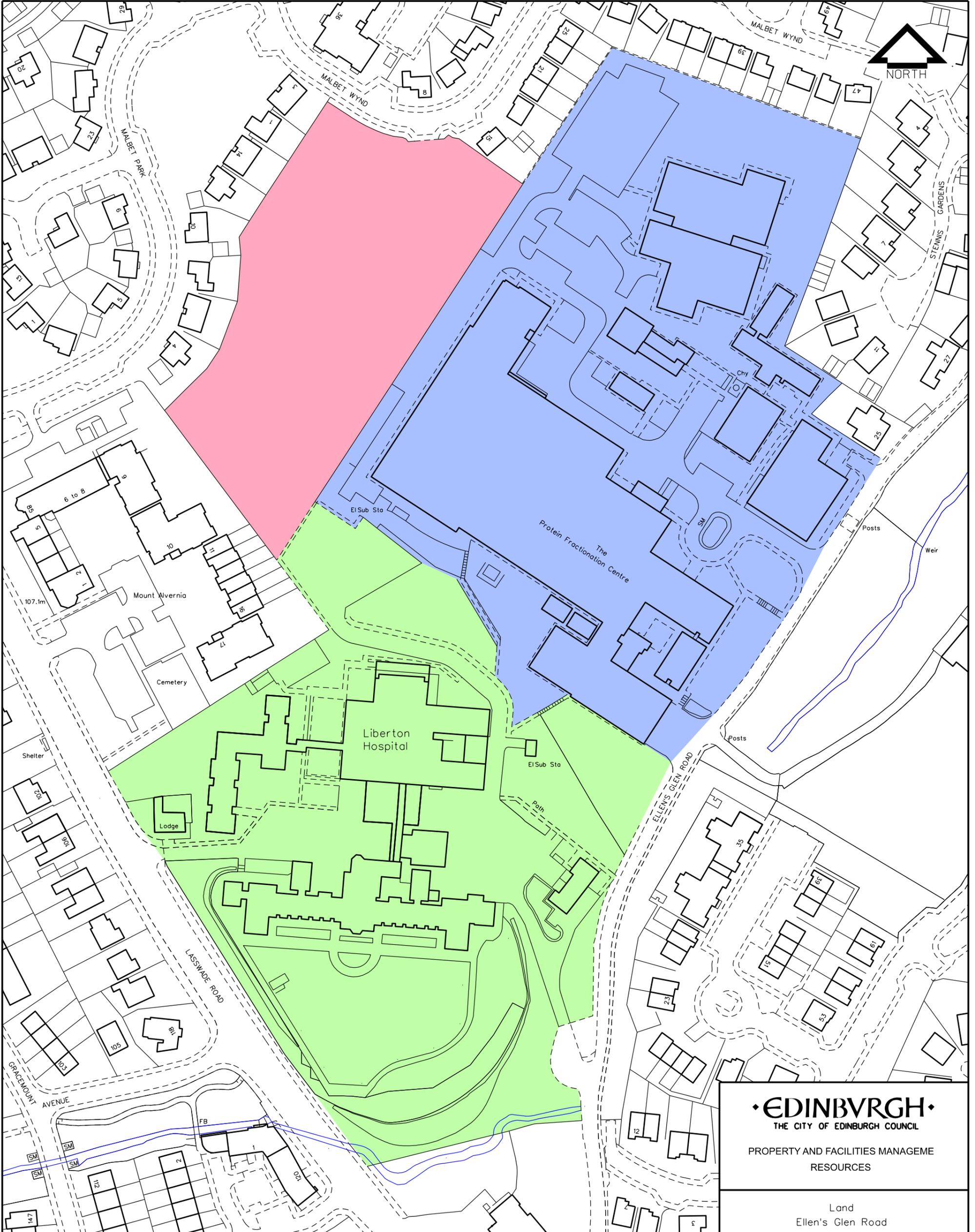
- 7.1 Ward members have been made aware of the recommendations of the report.
- 7.2 Following acquisition, the Council will engage with local communities and all relevant stakeholders to develop a Place Brief. The Place Brief will set the strategic development context for the future of the Liberton Hospital sites. This will enable the development of a site development brief, delivery partner proposal and co-production strategy with the community and services.

8. Background reading/external references

- 8.1 [Land Strategy to Support Delivery of Affordable - Report to Housing, Homeless and Fair Work Committee January 2021](#)

9. Appendices

- 9.1 Appendix 1 – Location Plan



SITE A SHOWN COLOURED BLUE - 3.046ha (7.527 Acre), or thereby

SITE B SHOWN COLOURED PINK - 1.003ha (2.478 Acre), or thereby

SITE C SHOWN COLOURED GREEN - 2.665ha (6.585 Acre), or thereby

EDINBURGH
THE CITY OF EDINBURGH COUNCIL

PROPERTY AND FACILITIES MANAGEMEN
RESOURCES

Land
Ellen's Glen Road
Edinburgh

DATE	29/08/2014
SURVEYED BY	
DRAWN BY	F McDonald
SCALE	1:1250 @ A3
NEG. NO.	NT 2769/A3/1503