

Finance and Resources Committee

10.00am, Thursday, 10 November 2022

Liberton Hospital, Edinburgh – Update on Proposed Acquisition

Executive/routine Wards Council Commitments	Executive 16 – Liberton/Gilmerton
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1. Recommendations

- 1.1 It is recommended that Finance and Resources Committee approves the completion of the purchase of Liberton Hospital, Edinburgh on the terms and conditions outlined in this report.

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Executive Director of Place

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Report

Liberton Hospital, Edinburgh – Update on Proposed Acquisition

2. Executive Summary

- 2.1 On [4 March 2021](#), the Finance and Resources Committee approved the purchase of Liberton Hospital following the completion of all due diligence. The site was purchased using HRA borrowing and Scottish Government grant funding from the Affordable Housing Supply Programme. Development of the site will support the Council to deliver its affordable housing commitments.
- 2.2 Due to the continued operational use of the hospital, it has not been possible to complete the purchase. To allow the transaction to complete, the parties have agreed to proceed on the basis of a sale and short-term partial leaseback. This report seeks approval to complete the transaction on the revised terms and conditions outlined.

3. Background

- 3.1 On [4 March 2021](#), the Finance and Resources Committee approved the purchase of Liberton Hospital from NHS Lothian and partner landholders. Following due diligence, a net purchase price of £14,411,950 was reported, through the business bulletin, to Committee on [7 October 2021](#). The purchase price was agreed based on a joint valuation instruction to the District Valuer with deductions for abnormal costs agreed between the parties.
- 3.2 It has not been possible to complete the purchase due to a solution not being found for the remaining hospital beds in use within the hospital.
- 3.3 To allow the purchase to complete and, provide a further period of time for the hospital building to be vacated, the parties have agreed to proceed on the basis of a purchase and partial lease back of the property.
- 3.4 Due to the passage of time since the original instruction to the District Valuer (March 2021) a revaluation of the property has been undertaken which has produced a higher site value.

4. Main report

- 4.1 As would be expected given the passage of time since the original valuation instruction, the updated figure for the site has increased, after allowing for the deduction of abnormal costs, to £15,078,500.
- 4.2 Following negotiation, the parties have agreed to proceed on the basis of a revised purchase price of £14,789,000 (plus LBTT and VAT (in part).
- 4.3 To allow the purchase to complete before the end of the calendar year a short term lease over the remaining hospital buildings will be put in place. The main terms are as follows:-
 - 4.3.1 Property: Remaining hospital building as shown shaded green on the attached plan;
 - 4.3.2 Tenant: NHS Lothian on behalf of the Scottish Ministers;
 - 4.3.3 Term: 12 months from date of entry to continue 3 monthly thereafter;
 - 4.3.4 Longstop Date: 2 years from date of entry;
 - 4.3.5 Break Option: The tenant can break the lease at any time should the property no longer be required for operational purposes on serving a minimum of 3 months notice; and
 - 4.3.6 Rent: £1 per annum.
- 4.4 The Council, or its representatives/contractors, will have a right of access over any leased area should this be required in connection with future development plans of the site.
- 4.5 NHS Lothian agree to provide full vacant possession when the lease is terminated, including the removal of all operational equipment. If any equipment is not removed by the termination date, the landlord will provide up to one month for this process to be completed, otherwise Council can remove and recharge the cost of doing so to the tenant.

5. Next Steps

- 5.1 Following approval of the terms by Committee, Legal Services will be instructed to progress with the completion of the purchase and the lease of part back to NHS Lothian.
- 5.2 Once the site is purchased, the Council's Development and Regeneration team will begin work on developing design proposals for the site for consultation with the local community.

6. Financial impact

- 6.1 The net purchase price of £14.789m (plus LBTT) will be funded from the approved HRA capital programme (£7.539m) and Scottish Government grant funding from the Affordable Housing Supply Programme (£7.250m).

7. Stakeholder/Community Impact

- 7.1 Local members have been made aware of the recommendations of the report.

8. Background reading/external references

- 8.1 [Liberton Hospital, Edinburgh – Proposed Acquisition](#) – Finance and Resources Committee, 4 March 2021.

9. Appendices

- 9.1 Appendix 1 – Location plan.