

Finance and Resources Committee

10.00am, Thursday, 21 September 2023

42 King's Haugh, Prestonfield Park Industrial Estate, Edinburgh - Proposed Lease Extension to the City of Edinburgh Council

Executive/routine
Wards

Routine
17- Portobello/Craigmillar

1. Recommendations

- 1.1 That the Finance and Resources Committee approve a 25-year lease extension for the provision Assisted Technology Enabled Care 24 (ATEC24) services at 42 King's Haugh, Edinburgh, on the terms and conditions outlined in this report.

Paul Lawrence

Executive Director of Place

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Report

42 King's Haugh, Prestonfield Park Industrial Estate, Edinburgh - Proposed Lease Extension to the City of Edinburgh Council

2. Executive Summary

- 2.1 Assisted Technology Enabled Care24 (ATEC24) leases an industrial property at 42 King's Haugh, Edinburgh with the lease expiring on 27 November 2023. This report seeks approval for a 25-year lease extension on the terms and conditions outlined in the report.

3. Background

- 3.1 Under the Public Bodies (Joint Working) (Scotland) Act 2014, Ministers issue Directions and Statutory Guidance to Health Boards, Local Authorities, and Integration Authorities in relation to carrying out their functions. New statutory guidance for the provision of equipment and adaptations to support people to live well in their own homes was issued in January 2023. This sets out the requirement that provision of equipment and adaptations, including the opportunities provided by innovative technology, should be an integral part of mainstream housing, health and social care assessment and service provision.
- 3.2 ATEC24 brings together the services which deliver these duties on behalf of the City of Edinburgh Council, NHS Lothian, and East and Midlothian Councils. ATEC24 services include Telecare, Sheltered Housing Support Service, Assisted Living Team, and the Community Equipment Loan Service. In addition, the Children and Families Occupational Therapy service is managed within the ATEC24 umbrella.
- 3.3 ATEC24 lease premises at 42 King's Haugh, within the Peffermill Industrial Estate, and, on behalf of the partners, this is primarily managed through the City of Edinburgh Council's Estates team. The current lease is due to expire on 27 November 2023.
- 3.4 ATEC24 has confirmed that it is content with the existing location and that its preference is to continue to lease the property in the long-term. However, there are significant space pressures on the premises in its existing configuration, and

discussions with the landlord for a new lease have included the potential for an extension to the unit should a future business case confirm this would be viable.

4. Main report

- 4.1 The existing lease expires on 27 November 2023 and the landlord is willing to grant the Council a 25-year lease extension, effective from 28 November 2023.
- 4.2 The landlord has also indicated a willingness to develop an extension to the building, with the rent increasing on a pro rata basis in respect of the additional space, estimated at up to a further 555 sq m (5,973 sq ft).
- 4.3 However, to agree to an extension of the premises would require the development and approval of a viable business case and, as such, provisionally agreement on the terms and conditions for an extension of the lease to the building, in the current configuration, are proposed at this time:
 - 4.1.1 Subjects: 42 King's Haugh, Prestonfield Park Industrial Estate, Edinburgh;
 - 4.1.2 Tenant: City of Edinburgh Council;
 - 4.1.3 Lease extension: 25 years;
 - 4.1.4 Date of entry: 27 November 2023;
 - 4.1.5 Rent: £215,517 per annum from date of entry until 27 November 2025;
 - 4.1.6 Fixed rent increase: £266,227 from 27 November 2025 until 27 November 2028;
 - 4.1.7 Rent review: five (5) yearly with the first and second reviews to the higher of market value or 2% per annum compound increase, the third and fourth reviews to higher of market value;
 - 4.1.8 Repair: full repairing obligation; and
 - 4.1.9 Costs: each party responsible for their own costs.
- 4.4 The rental figure is competitive in terms of market levels within the estate. Over the last 12 months, a search for potential alternative accommodation in Edinburgh has been undertaken. None have been found which were as suitable as the current property in terms of size and location. Furthermore, a relocation of the service would result in substantial additional costs in terms of dilapidations of the unit being vacated and fit out costs for any new location.
- 4.5 In summary, the agreed rental position up until the rent review in November 2038 is as follows (*denotes minimum rental increase based on 2% per annum compounded – market rent may be higher):

Date	Rent
28 November 2023 – 27 November 2025	£215,517
28 November 2025 – 27 November 2028	£266,227
28 November 2028 – 27 November 2033 (first review)	£282,522 *
28 November 2033 – 27 November 2038 (second review)	£311,927 *

5. Next Steps

- 5.1 Following approval of the terms by Committee, solicitors will be instructed to conclude the legal documentation.
- 5.2 A business case will be undertaken to consider the feasibility of a future extension to the property. Should this be viable, a report seeking approval to vary the lease to reflect the extended property will be brought to a future committee.

6. Financial impact

- 6.1 The existing lease costs are £180,000 per annum. If an extension to the premises is agreed, this will increase to £215,517 on completion, and to £266,227 from 28 November 2025.
- 6.2 The actual costs for the previous year are used to determine the recharge amount to NHS Lothian for the wheelchair storage. The remainder of the costs are split across all other partners which include the Council and NHS Lothian for Edinburgh, East Lothian and Midlothian Councils. For example, the 2023/24 devolved premises budget for refuse disposal and insurance is £30,263 and the centrally held premises budget for the property is £441,972. All other costs remaining equal the premises budget will, in total, increase to £488,199 on completion of the lease extension.
- 6.3 The split of the annual charge for the property is as follows:

Partner	% contribution of costs
City of Edinburgh Council	31%

NHS Lothian Edinburgh	37%
Midlothian Council	8%
NHS Lothian Midlothian	9%
East Lothian Council	7%
NHS Lothian East Lothian	8%

7. Equality and Poverty Impact

- 7.1 The extension to the lease, will allow a valuable community service to continue to be delivered.

8. Climate and Nature Emergency Implications

- 8.1 It is not considered that there are any new direct Climate and Nature Emergency Implications from extending a lease where the Council is already in occupation.

9. Risk, policy, compliance, governance and community impact

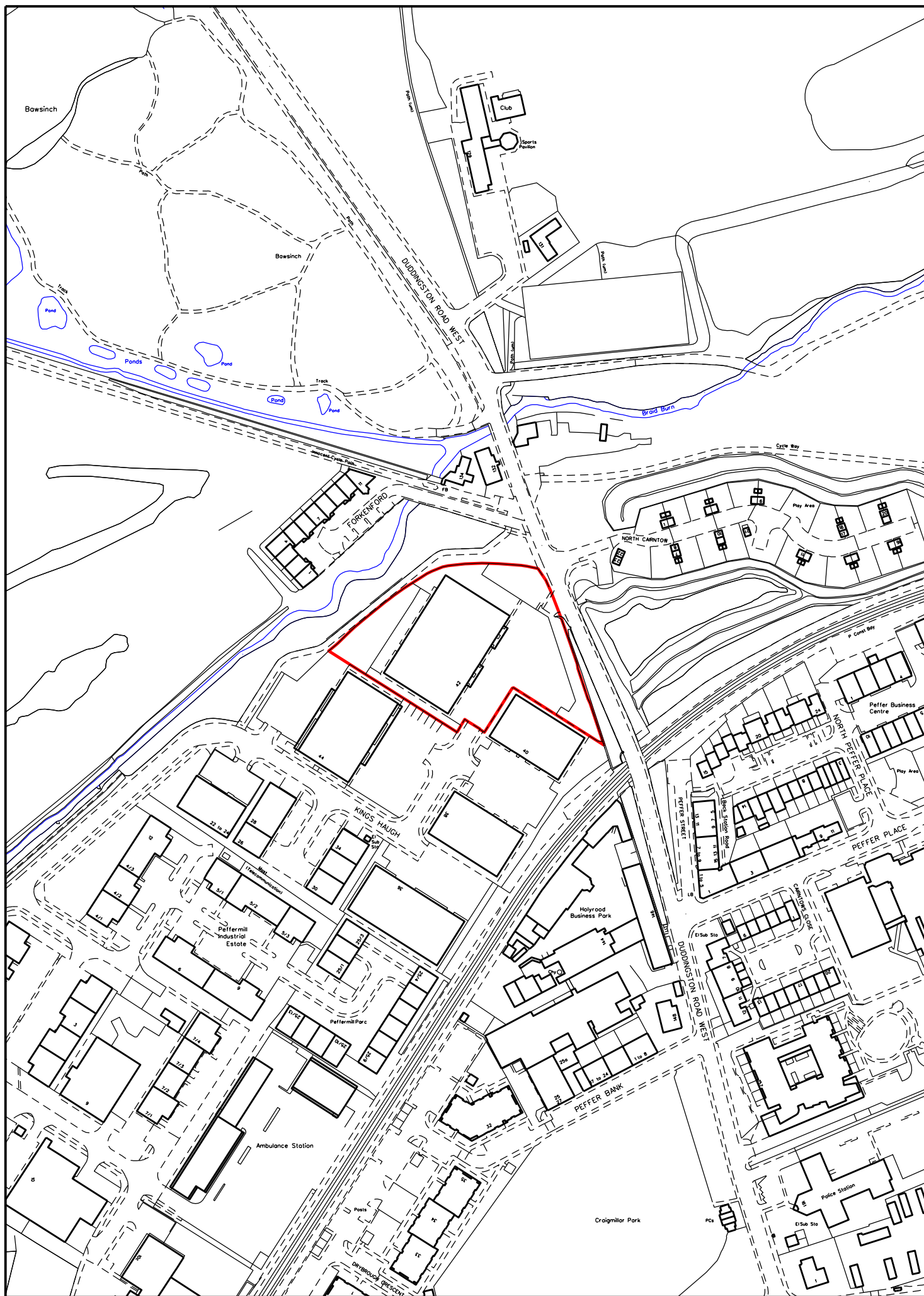
- 9.1 Ward members have been aware of the recommendations of this report.
- 9.2 Since the lease is due to expire on 27 November 2023, an extension of the existing lease is required to secure ATEC 24's use. Conversely, failure to agree renewal terms may result in termination of the lease on 27 November 2023. Above all, this scenario would leave ATEC 24 at risk of losing an important resource. Sourcing and alternative facility in the short to medium-term would be challenging and incur substantial additional cost.

10. Background reading/external references

- 10.1 None.

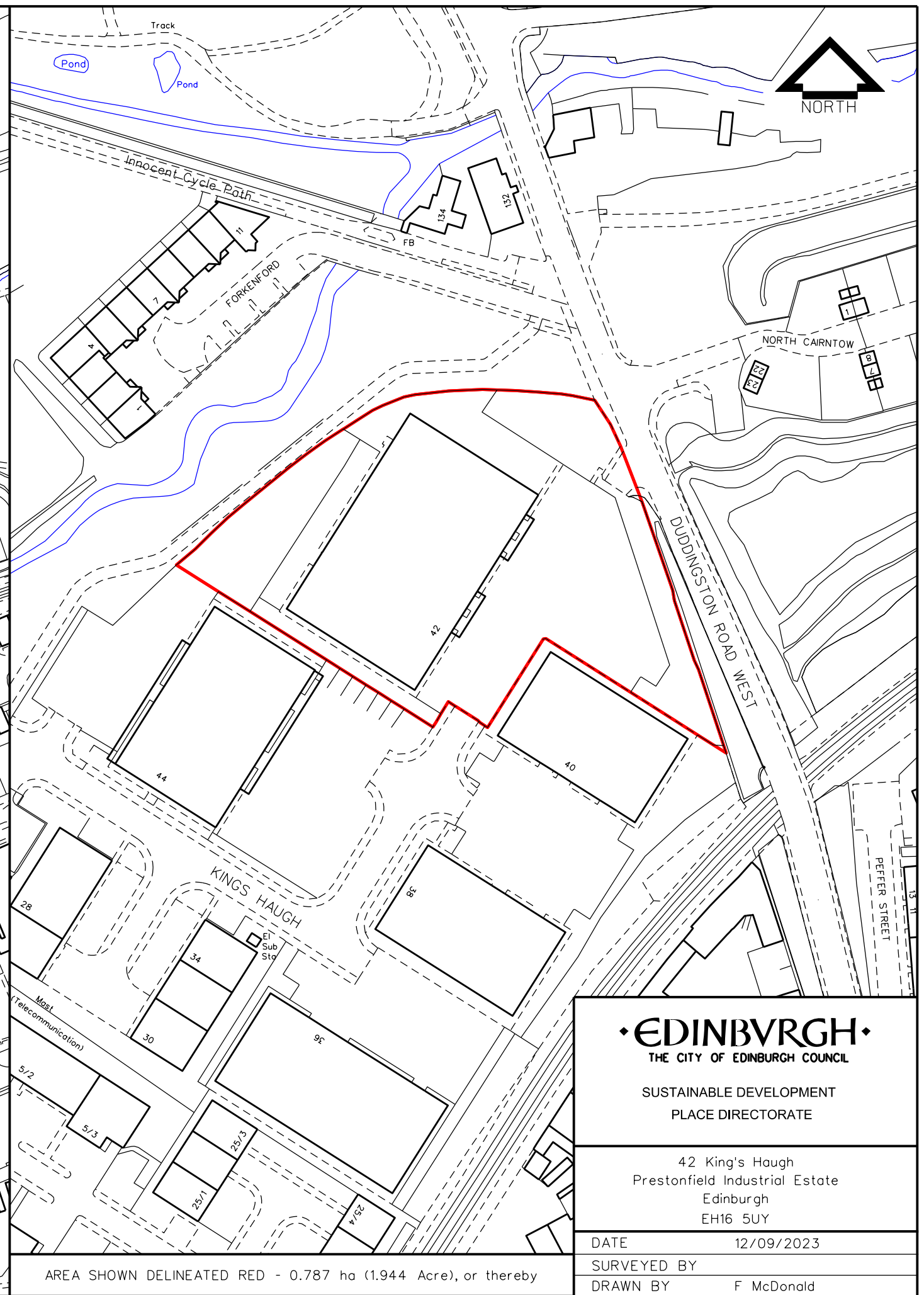
11. Appendices

- 11.1 Appendix 1 – Location plan.



LOCATION PLAN

SCALE 1:2500



SITE PLAN

SCALE 1:1250

• EDINBURGH • THE CITY OF EDINBURGH COUNCIL	
SUSTAINABLE DEVELOPMENT PLACE DIRECTORATE	
42 King's Haugh Prestonfield Industrial Estate Edinburgh EH16 5UY	
DATE	12/09/2023
SURVEYED BY	
DRAWN BY	F McDonald
SCALE	To scale @ A3
PLAN. NO.	NT2871/A3/1377 A

AREA SHOWN DELINEATED RED - 0.787 ha (1.944 Acre), or thereby