

Finance and Resources Committee

10.00am, Tuesday, 25 June 2024

New Liberton High School and Health Centre – Proposed Lease to NHS Lothian

Executive/routine
Wards

Routine

1. Recommendations

- 1.1 That the Finance and Resources Committee approve a Lease to NHS Lothian for the Health Centre forming part of the new Liberton High School on the terms outlined in this report and on other terms to be agreed by the Executive Director of Place.

Paul Lawrence

Executive Director of Place

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2. Executive Summary

- 2.1 This report provides an update on the current situation with the Health Centre accommodation being provided within the community hub building which also includes the replacement Liberton High School.
- 2.1 It is recommended that a lease is approved for use of the Health Centre accommodation due to NHS Lothian confirming a capital contribution from the Scottish Government will not be forthcoming.

3. Background

- 3.1 Due to the growth of the population from new housing in southeast Edinburgh, NHS Lothian and the Council have worked in partnership to include the design for a new Health Centre within the same building as the replacement Liberton High School.
- 3.2 The report to award the contract for construction of the replacement Liberton High School and Health Centre to Balfour Beatty was approved by the Finance and Resources Committee on 21 September 2023. At that time the funding for the Health Centre element of the project had not been confirmed and was noted as a risk.
- 3.3 Funding for the Health Centre element of the project was intended to be a direct capital contribution from NHS Lothian who were confident this would be subsequently made available by the Scottish Government. However, since the report was approved on 21 September 2023, the Scottish Government has announced a freeze on any future NHS capital funding. Discussions have continued with NHS Lothian to assess alternative solutions.
- 3.4 Construction of the new building has commenced and is due to be complete in February 2026.

4. Main report

- 4.1 A way forward to address the current situation with the Health Centre is required.

- 4.2 The following three options have been considered:
- 4.2.1 Option 1 - The space could be leased to NHS Lothian;
 - 4.2.2 Option 2 - The space could be leased out to another third party for a different use; and
 - 4.2.3 Option 3 - The space could be used for other purposes by the Council.
- 4.3 Each of the options has a range of implications for the Council which can be summarised as follows.

Option 1

- 4.4 In the absence of capital funding, the NHS have suggested a direct lease. While the NHS can meet property costs for running the surgery, e.g., NDR and utilities, there would be limited funds available for a full market rent. An annual rent of £45,000 has been proposed as affordable by the NHS.
- 4.5 If this option was to be pursued, it would mean that no changes to the construction contract would be required in terms of the current proposed layout of space. It would also secure modern primary care facilities for the area which are urgently required and allow the overall facility to operate as a community hub as designed in line with the aspirations of the Council's Business Plan and Corporate Property Strategy.

Option 2

- 4.6 Leasing out to a third party would require the end user to be compatible with a learning campus and this would also potentially limit the amount of revenue which could be generated, i.e. if it was the third sector or a charity a rent concession would likely be required. In these circumstances, a rent above what the NHS has agreed to pay would be difficult to achieve. A change control to the construction contract to redesign the space would be required and could add cost to the contract

Option 3

- 4.7 Using the space for CEC service delivery would also align with the community hub objectives of the Council Business Plan and Corporate Property Strategy and could also assist with rationalisation of other properties in the operational estate which are no longer fit for purpose. This would create additional revenue cost associated with running costs albeit these could be offset if the occupation is linked to rationalising other parts of the estate.
- 4.8 It is recommended that Committee approve proceeding with option 1 for the following reasons:
- 4.8.1 It is unlikely that any significant increase in rent above £45,000 per annum would be achieved through option 2;
 - 4.8.2 For options 2 and 3, change would be required to be instructed into the construction programme and this could increase cost and potentially add delay to delivery of the overall project;

- 4.8.3 There are substantial benefits achieved for the wider community through the provision of a new Health Centre alongside a secondary school within a community hub model.
- 4.9 While the finer details of the lease are still being discussed, the following draft terms have been provisionally agreed and will be finalised into a lease if approval is forthcoming from the Committee:
- 4.9.1 **Subjects:** Health Centre forming part of the new Liberton High School campus building;
- 4.9.2 **Tenant:** NHS Lothian;
- 4.9.3 **Term:** TBC from date of entry (anticipated February 2026) with option to extend for a further 10 years;
- 4.9.4 **Rent:** £45,000 per annum (to be reviewed on each fifth anniversary)
- 4.9.5 **Permitted Use:** GP Surgery and ancillary NHS primary care use;
- 4.9.6 **Repairs:** NHS Lothian to maintain the interior of the health centre only;
- 4.9.7 **Running Cost Share:** to be apportioned based on area occupied.
- 4.10 It is recommended that a final lease is negotiated based on these draft terms.

5. Next Steps

- 5.1 Following approval of the terms by Committee, Legal Services will be instructed to conclude the Lease.

6. Financial impact

- 6.1 The capital cost of the health centre element of this project is £3.888m and this will now require to be funded from the Capital Investment Programme. In the absence of funding from the NHS, this can be funded from the overall project budget, as a greater level of developers contributions for the high school element is now expected.
- 6.2 The lease will create an annual income of £45,000 per annum credited to the General account.

7. Equality and Poverty Impact

- 7.1 The impact on equalities has been considered. The Integrated Impact Assessment (IIA) checklist has been completed and the outcome is that a full IIA is not required for this report. There is little relevance to equality and no negative impact.

8. Climate and Nature Emergency Implications

- 8.1 The property is a new building which has been designed and is being constructed in accordance with Passivhaus standards.

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

- 9.1 Ward members have been aware of the recommendations of this report.

10. Background reading/external references

- 10.1 [Planning Application](#) for replacement school, health centre and community facilities.

11. Appendices

- 11.1 None.