

Finance and Resources Committee

10.00am, Tuesday, 7 November 2017

Boroughmuir High School, Viewforth, Bruntsfield: Update on Proposed Sale

Item number	7.14
Report number	
Executive/routine	Executive
Wards	10 – Meadows/Morningside
Council Commitments	

Executive Summary

On 13 May 2015, the Finance and Resources Committee approved the disposal of the existing Boroughmuir High School to CALA Management Limited (CALA). The bid was subject to numerous conditions including planning permission for residential development.

A report for approval of the planning consent by CALA was submitted to the Development Management Sub-Committee, on 28 April 2017, but was refused. CALA appealed this decision, which was dismissed and the application refused on 14 August 2017.

CALA has subsequently revised the development proposals to address the concerns raised by both the Development Management Sub-Committee and the appeal decision. This report seeks Committee approval to proceed with the sale to CALA on the revised offer and the terms and conditions outlined in the report.

Boroughmuir High School, Viewforth, Bruntisfield: Update on Proposed Sale

1. Recommendations

1.1 That Committee:

- 1.1.1 Approves to continue with the sale of Boroughmuir High School, Viewforth, Bruntisfield to CALA Management Limited on the terms outlined in this report and on other terms and conditions to be agreed by the Executive Director of Resources.

2. Background

2.1 On 12 December 2013, the Council approved that the estimated £5m receipt from the sale of the existing Boroughmuir High School would be used as part funding for the new school at Fountainbridge.

2.2 Following a successful marketing process, and analysis of the 20 bids that were received, CALA Management Limited (CALA) were selected as the preferred bidder. The terms and conditions of that bid were as follows:

- Price: £14.525m subject to a minimum guaranteed net price of £13m, payable in two tranches;
- Overage: 50% of additional profit where average sales rate exceeds £405 per sq ft;
- Use: 100 residential apartments comprising one, two and three bedrooms; and,
- Conditions: Planning permission, Title, structural survey and abnormal ground conditions.

2.3 The sale was challenged by a counter offer from Out of the Blue, however, on 13 May 2015, the Finance and Resources Committee approved the following motion:

1. To approve the recommendations in the report, and note that there was a significant number of unfunded capital investment priorities across the Council, as outlined in Appendix 2 of the report *Capital Investment Programme 2015-16 to 2019 -20* considered by the Finance and Resources Committee on 15 January 2015.

2. To recognise that the Capital Investment Programme was dependent on capital receipts and that the realisation of additional receipts would enable the Council to address further infrastructure requirements.
 3. To note that the Council was also committed to re-provide facilities at Leith Primary, given the forced closure of the Duncan Place building.
 4. To agree that any additional funding received from the sale of the Boroughmuir site (beyond the sum already allocated to the provision of the new school) should be used to provide funding to these priorities.
 5. To agree that the additional funding should be prioritised toward: (a). the site acquisition for a long-term solution to rising rolls in south Edinburgh and (b). the re-provision of facilities at Leith Primary school.
 6. To note that funding the site acquisition for a long-term solution to rising rolls in south Edinburgh would allow Health and Social Care to move forward with the provision of a new care home in the city and therefore welcomed the Capital Coalition's continuing commitment to tackle the issue of rising rolls in our schools; invest in school buildings, and provide better care for our most vulnerable residents.
 7. To note the Council's ongoing support to developing arts and cultural spaces in Edinburgh, as shown by projects such as the ongoing in transforming the old North British Rubber Company building in Fountainbridge into an arts centre some 600m away from the Boroughmuir site.
 8. To recognise Out of the Blue's desire to provide further arts, cultural and social space within Edinburgh and requested that Council officers met with Out of the Blue to discuss how they could work in partnership to achieve our joint aims.
 9. To request an updated Capital Investment report was presented to the Finance and Resources Committee in Autumn 2015 outlining incoming receipts and projects to be prioritised through the budget process.
- 2.4 CALA subsequently submitted a planning application for the conversion of the main existing school building to 87 residential units. The annexe would be converted to 8 affordable units. A further 20 affordable units would be developed in a new 6 storey tenement on the site.
- 2.5 On 28 April 2017, the Development Management Sub-Committee refused the application. The principal reason was that the proposed new build tenement would have a detrimental impact on the setting of the existing listed school building and the wider Conservation area.
- 2.6 CALA submitted an appeal to the Scottish Government against the decision. This was dismissed by the Reporter on 14 August 2017, supporting the reasons for refusal given by the Development Management Sub-Committee.
- 2.7 CALA has reviewed their proposals for the building and submitted an alternative proposal to the Council.

3. Main report

- 3.1 Following further discussion with the Housing, Planning and Transportation services, CALA have prepared a revised proposal. The proposal retains 87 units within the school building and 8 affordable units within the annexe block. The new build block has been reduced in size to provide 9 affordable units.
- 3.2 The proposal will deliver 17 affordable units as against a policy requirement of 26 and CALA propose to meet the shortfall by way of a commuted sum.
- 3.3 The proposed amendments have a cost implication to the price to be paid for the site. In addition to a reduction in the number of units, use of stone and slate to the proposed affordable block has increased development costs.
- 3.4 CALA has submitted a revised offer of £11.7m to purchase the site. This price is net of all abnormal costs and is subject only to planning consent being achieved for the revised scheme. This represents a reduction of £1.3m from the previous guaranteed minimum price of £13m.
- 3.5 An overage provision, whereby the Council will receive 50% of additional profit where average sales rates exceed £405 per square feet remains.
- 3.6 The amended price, on a net and weighted basis, is still above any of the other bids that were received following the original marketing.
- 3.7 Should the Council not wish to continue with the disposal to CALA, the option exists to remarket the property. However, this option carries a number of risks:
 - 3.7.1 With the exception of planning permission, the revised bid from CALA removes all other suspensive conditions. Any new bid for the site, following remarketing, would be subject to these conditions which would delay the timescale for the disposal;
 - 3.7.2 There is still a risk over achieving planning consent, however, this risk is mitigated by the revised scheme taking into account the issues for the original refusal. A remarketing of the site may result in an alternative redevelopment proposal with increased planning risk;
 - 3.7.3 CALA have proposed a minimum guaranteed price whereas any bid received following a remarketing of the property would be subject to deductions for abnormal costs as the preferred bidder works through their due diligence; and
 - 3.7.4 The timescale for a fresh marketing campaign would further delay the projected date for obtaining a capital receipt by between 18 and 24 months. This will result in substantial holding costs to the Council for the building which will shortly be vacated.
- 3.8 As a remarketing of the property will result in increased risk to the Council in terms of the timing and level of capital receipt, the option to remarket the property is not recommended.

4. Measures of success

- 4.1 A successful sale of the building will produce a capital receipt to part fund the new Boroughmuir High School. A listed building will be renovated into high quality residential apartments.

5. Financial impact

- 5.1 A capital receipt of £5.85 million will be obtained in financial year 2018/19 and a guaranteed further receipt of £5.85 million in 2020/21.
- 5.2 From the first tranche payment, £5.0 million has been approved as a contribution towards the construction of the new school facility. Of the remaining £6.7m, £2m has been ring fenced for the new Leith Primary School Gym and nursery, which is under construction, with the remainder set aside as a contribution towards the site purchase for rising rolls in south Edinburgh.
- 5.3 An ongoing and considerable maintenance liability will be removed from the Council's revenue budget.

6. Risk, policy, compliance and governance impact

- 6.1 There is a risk that CALA do not receive planning consent for the amended scheme. This will result in increased maintenance costs and a delay in realising the capital receipt.

7. Equalities impact

- 7.1 An Equality and Rights Impact Assessment has been carried out.
- 7.2 The disposal will lead to the redevelopment of a prominent and historic institutional building within the city centre. This will enhance the feeling of security for neighbouring residents and promote health and well-being.
- 7.3 The redevelopment of the site will create economic benefits for the city and will create employment which will enhance the rights of residents to productive and valued activities.
- 7.4 The redevelopment of the area will have a temporary adverse effect on the surrounding residential area, however this will be mitigated as much as possible by any contractor. The potential level of investment in the site, and the creation of high quality accessible apartments justify any short terms adverse impacts.

8. Sustainability impact

- 8.1 The proposed development will incorporate sustainable methods of construction and will meet current building standards.

9. Consultation and engagement

- 9.1 Ward Councillors have been consulted on the recommendations of the report.

10. Background reading/external references

- 10.1 None.

Stephen S. Moir

Executive Director of Resources

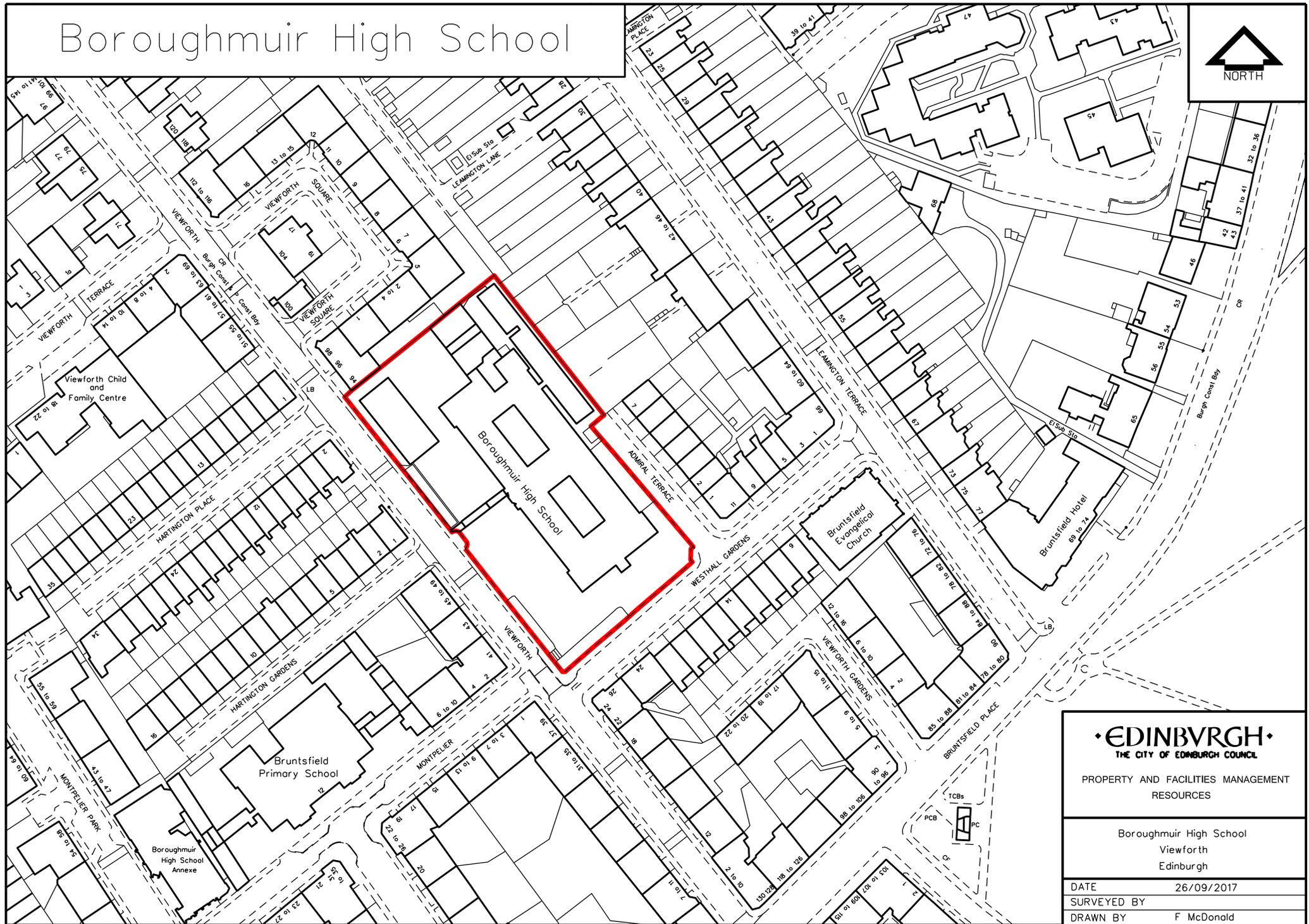
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11. Appendices

Appendix 1 - Location/Site Plan.

Boroughmuir High School



AREA SHOWN DELINEATED RED - 0.880 ha (2.175 Acre), or thereby

• EDINBURGH • THE CITY OF EDINBURGH COUNCIL	
PROPERTY AND FACILITIES MANAGEMENT RESOURCES	
Boroughmuir High School Viewforth Edinburgh	
DATE	26/09/2017
SURVEYED BY	
DRAWN BY	F McDonald
FILE NO.	
NEG. NO.	NT 2472/A3/1566