

Report to the Chief Executive and Director of Finance of Greater Glasgow NHS Board

Proposed Purchase Land at the Former Lennox Castle Hospital by Celtic Football Club

1. Background

The disposal of surplus land at the former Lennox Castle Hospital is subject to two contractual agreements; the Mactaggart & Mickel Agreement, and the Tripartite Agreement. The former is the mechanism for the disposal of the Lower Site and the latter, the framework which regulates the relationship between the NHS, East Dunbartonshire Council and Lennoxtown Initiative.

The development of the site requires that outline planning consent is granted and there is currently a planning application being considered by the Council. This application conforms with the recently Adopted Local Plan which shows a residential development on the Lower Site and the Upper Site identified for 'greenbelt compatible' use. It is anticipated that the outline application for the whole site will be placed before the Planning Board of the Council in May of this year. If consent is granted, then Mactaggart & Mickel will seek to achieve detailed consent for the first phase of the residential development on the Lower Site.

The parties to the Tripartite Agreement acknowledged that the Upper Site would be developed in line with the Local Plan and that any prospective use would come as a result of actively pursuing a development proposal. Given the importance of the receipt from the Lower Site to the NHS and Lennoxtown Initiative, the focus of attention and effort has been channelled towards the granting of outline consent for the whole site.

The Tripartite Agreement is the basis for the disbursement of the receipts to the NHS and Lennoxtown Initiative. In the Agreement, the NHS is able to recover the costs associated with the Bridging Finance, demolition and other funding associated with the closure of the hospital. This then allows the net receipts from the sale to be applied to the Initiative. The formula for the allocation of receipts following the disposal of the Upper Site is related to the planning consent achieved. Any part of the site, which achieves a 'greenbelt compatible' use, will result in the entire receipt being applied to the Initiative, and any other or additional use will result in the NHS and the Initiative sharing the receipt.

It is within this context that the offer from Celtic Football Club to purchase circa 40 acres of the Upper Site to develop a training facility has been received. The NHS did not initiate this offer, but following an approach by the Club, consideration has been given to the proposal.

2. The Proposal and Current Position

Celtic first expressed an interest in this site in November 2004, and following meetings with their Chief Executive and others, a formal offer was submitted to the Board's legal adviser on..... I advised the Club's project manager that the disposal of NHS property is strictly regulated by the Scottish Executive and in the guidelines established by the Executive, this proposal would be classed as an off-market sale. In addition, they were made aware of the fact that these should only occur in exceptional circumstances and only where there is explicit agreement from the Property Adviser and the Independent Valuer that an off market sale will deliver a clear advantage over an open market sale.

The offer submitted by the Club did not include a purchase price, and it was not until 10 February that the figure of £42,000 was intimated by the Club as the proposed price payable. Subsequently, the Board's Independent Valuer reported that the guide price for the

site, taking all matters into consideration was £480,000. Following discussion between the Board's legal and property advisers, I instructed the legal adviser to intimate to the Club that this offer could not be considered as a positive way forward and not one that could be recommended. Notwithstanding this, there has been an ongoing positive dialogue between the Board and the Club's project manager. However, despite advising the Club formally on 14 February that the offer was unacceptable, on 18 March, the Club's legal adviser confirmed that he had received no further instruction from his client.

In the interim, the Club met with the Leader and Chief Executive of East Dunbartonshire Council and it has been reported to me that the Club's Chief Executive advised the Council representatives that in the Club's opinion, the NHS Board's unreasonable demands in relation to the price were jeopardising the proposal. The Council representatives confirmed that the site was in the ownership of the NHS and subject to the strictures of the property disposal procedures. The Council are aware of the offer of £42,000, that no increased offer has been made and that the NHS have not made any demands with regard to price as that would, at this stage, be in contravention of the requirements of the Property Transactions Handbook.

On Friday 18 March I received the letter from the Club's Chief Executive attached to this report. Setting aside the inaccuracies, the erroneous planning assumptions and the justification for the proposed purchase price, it is based on the offer submitted on The Chief Executive requests that the matters outlined in his letter are dealt with as a matter of urgency to enable the Club's board to reach a decision at their meeting on 23 March. Notwithstanding that the timescales for a response are unacceptable and unreasonable, I propose to instruct our legal advisers to respond in terms which leave the Club in no doubt of the Board's position; that the offer price is unacceptable and one which could not be recommended to the Board.