

Finance and Resources Committee

2.00pm, Tuesday, 2 February 2021

Sustainable Capital Budget Strategy 2021-2031

Executive/routine Wards Council Commitments	Executive All
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1. Recommendations

- 1.1 To note the contents of this report and refer to Council's budget meeting on 18 February 2021;
- 1.2 To note the announcement of the provisional Local Government Finance Settlement is expected on 28 January 2021 and any subsequent changes to grant figures assumed in this report will be reported back to Council on 18 February 2021;
- 1.3 To note that delivery of funded capital expenditure priorities is dependent on the achievement of a balanced medium-term revenue budget;
- 1.4 To note that capital expenditure priorities are being considered in line with the Council's priorities and approach proposed under the Adaptation and Renewal Programme outlined in the new Council Business Plan;
- 1.5 To note that budgets for lending to Edinburgh Living from 2021-22 onwards are based on the pipeline of development and will be subject to annual approval from Finance and Resources Committee and Council;
- 1.6 To note the proposed ring-fencing status of capital receipts in Appendix 4, subject to approval by Council on 18 February 2021 as part of the budget setting; and,
- 1.7 To note the proposed use of £4.242m contingency funding for North Bridge Refurbishment, subject to approval by Council on 18 February 2021 as part of the budget setting.

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Sustainable Capital Budget Strategy 2021 - 2031

2. Executive Summary

- 2.1 The report details priorities for council capital investment, in alignment with the new Council Business Plan, over the medium to long-term and sets out a plan on how they could be funded.
- 2.2 While the plan is affordable in the short-term, thereafter a funding gap develops from 2024/25 onwards, which future budgets will need to address. This strategy should therefore be seen as setting out aspirations for future investment rather than making long-term commitments.
- 2.3 The Capital Budget Strategy is expected to come under significant financial pressure as a result of higher tender prices caused by social distancing requirements and associated construction industry changes arising from COVID-19 guidance. There is also renewed focus on embedding the ambitions of a net-zero carbon City contribution from the Council by 2030 into the restart of major capital investment projects, which has had further financial consequences on previous assumptions.
- 2.4 The capital budget strategy in this report can only be funded if the Council is able to balance its revenue budget over the medium to long-term to comply with the terms of the Prudential Code. Moreover, the strategy assumes that some priorities, such as the City Centre Transformation and wider transport initiatives, will be funded from a combination of external funding and realignment of existing budgets.

3. Background

- 3.1 The initial Capital Budget Strategy 2020-2030 was reported to the Finance and Resources Committee on 10 October 2019 and approved on 20 February 2020 as part of the budget process.
- 3.2 It was subsequently consolidated with other key strategies into the Council's Capital Strategy which was approved by Council on 12 March 2020. This strategy set out expenditure of £2,324.800m to 2029/30. While the programme was affordable in the short to medium term, there remained £154.600m which was unfunded and would require the Council to find additional revenue savings or additional funding in future

years or lead to projects having to be removed from the capital investment programme or delayed.

- 3.3 Since the setting of the Capital Budget Strategy 2020-2030, COVID-19 and the measures put in place to protect citizens have created significant financial and logistical challenges and it will no longer be possible to deliver projects within the timescales and budgets previously envisaged. Following guidance from Scottish Ministers, all construction sites were closed and are now opened in accordance with the [Coronavirus \(COVID 19\): construction sector guidance](#) six phase plan. This has required changes to working practices to protect both construction workers and the public at large.
- 3.4 The impact of COVID-19 will have potentially significant implications for the Capital Budget Strategy 2021-2031, namely:
 - 3.4.1 The Council's Adaptation and Renewal Programme is predicated on pausing, reflecting and changing the way the Council will deliver its services in the future. One of the principles expected to be embedded in the way forward is the ambition to be a net-zero carbon City and Council by 2030. This will affect the cost of the approved projects and may also change the priority of certain projects – such as active travel – that deliver this ambition.
 - 3.4.2 Individual project costs are expected to increase due to heightened contractor requirements for ensuring a safe workplace in a COVID-19 environment. The immediate economic outlook is one of recession which is likely to have adverse impacts on the construction sector.
- 3.5 Poverty, Sustainability and Wellbeing as the Council's strategic priorities are reflected in much of the work of this Strategy.
- 3.6 The proposals contained in our [End Poverty in Edinburgh Delivery Plan 2020-2030](#) report were approved on 1 December 2020 and outline a series of key actions that need to be taken by the Council and partners over the next decade to eradicate poverty in the city by 2030. The comprehensive plan has been drawn up in response to the [final report of the Edinburgh Poverty Commission](#).
- 3.7 The climate emergency has led to the Council setting a new and ambitious target to be carbon neutral by 2030 within a legal context for Scotland being carbon neutral by 2045. This has already led to some significant strategic decisions in respect of the City Development Plan Choices document, the City Mobility Plan and specific investment programmes such as the plan to design and build Currie High School to Passivhaus certified standard.
- 3.8 The Council is being supported by the Edinburgh Centre for Carbon Innovation to develop a carbon scenario tool that will augment current business case analysis of major Council projects and capital investment. This strategy will continue to be reviewed based on this work and wider needs to deliver the 2030 net zero carbon target.
- 3.9 This report details capital investment priorities for the next 10 years and sets out proposed funding solutions. This report should be read in parallel with the revenue

budget report elsewhere on this agenda as the revenue impact of additional capital expenditure needs to be contained within a balanced medium-term revenue budget. Within the wider policy context of sustainability, it is intended that this a Sustainable 2021-31 Capital Budget Strategy, both in terms of funding and priorities.

- 3.10 This report only covers the general fund capital investment programme. The capital expenditure requirements for the Housing Revenue Account are reported elsewhere on this agenda as part of the Housing Revenue Account business plan.

4. Main report

- 4.1 The Council is currently reviewing its approach to the use of its assets to focus on a Local Place for Local Communities approach, focusing on how to meet the Poverty and Prevention agenda, and how to move towards a Carbon Neutral City by 2030. As part of this review, the Council needs to consider how to invest in future projects and ensure they align with this approach.
- 4.2 The Council needs to ensure that it creates a sustainable capital budget strategy, from an environmental, financial and service delivery perspective. COVID-19 and the true costs of creating Carbon Neutral infrastructure will have an impact on what the Council can afford, and it needs to ensure that the projects taken forward are the right choices with more limited resources. It also needs to consider a total place approach where new buildings are not built in isolation but consider the full range of services offered, their role and accessibility within the local community.
- 4.3 Priorities for capital expenditure, identified by officers and considered through the operational Asset Management Board and Corporate Leadership Team / Change Board, are aligned to our statutory responsibilities to deliver services together with achieving our strategic objectives.
- 4.4 The Council's budget for 2021/22 will seek to improve the wellbeing of all citizens and ensure Edinburgh is a thriving, fair and sustainable city by prioritising decisions that have a positive impact on poverty, well-being and sustainability – particularly in delivering net zero carbon and eradicating poverty in the city by 2030.
- 4.5 The budget will also continue to protect and evolve services connected to these policy priorities, while focusing on delivery of high-quality core services in the most efficient way possible.

Latest 2020/21 Capital Monitoring Position and Future Updates

- 4.6 Projected slippage in the 2020/21 programme is included in the Capital Monitoring 2020/21 – Period Eight Position report, elsewhere on the agenda, and has been built into the revised programme in Appendix 1. This slippage will be further amended after the final outturn for the financial year and thereafter reported to Finance and Resources Committee in summer 2021.

Local Government Finance Settlement

- 4.7 The provisional Local Government Finance Settlement will be announced on 28 January 2021. Within Appendix 1, it is assumed:
- the Early Years grant for 1140 hours ended in 2020/21 but grant which has been unused has been carried forward and will be drawn down to match expenditure;
 - Cycling, Walking and Safer Streets (CWSS) is expected but will only be recognised in the budget when received, as expenditure will be aligned to funding provided;
 - Transfer of Management of Development Funding (TMDF) is expected but will only be recognised in the budget when received, as expenditure will be aligned to funding provided; and,
 - While a commitment was made in September 2019 for substantial extra capital spending in years ahead, very little was outlined at the time of both the Spending Round 2019 and Spending Review 2020 announcements. As a result, we have revised the 2021-22 General Capital Grant assumption down from £43.500m to £38.225m to be consistent with 2020-21 funding level. Any further changes will be reported to Full Council on 18 February 2021 and any subsequent changes to Finance and Resources Committee along with the 2020/21 provisional outturn.

Proposed Capital Expenditure

- 4.8 Feedback from recent tender returns suggests an uplift of around 5% for the impact of COVID-19 on safe operating practices is likely. To deliver on the carbon neutral agenda, initial costs for Passivhaus buildings and improvements in the quality, digital, data and ventilation strategies now expected by the Scottish Government, have suggested that around a 12% uplift is required. The cost of retrofitting the existing estate is however, yet to be fully costed. When accounting cumulatively for COVID-19, Passivhaus standards and inflation, a 20% uplift for future building projects has been applied to the existing programme, where applicable.
- 4.9 To work towards the target of being carbon neutral by 2030 and building on the success of the capital funded state of the art waste treatment facility at Millerhill, there is funding to complete the Energy Efficiency Street Lighting Project, £17.830m as part of the 10% Cycling Commitment and significant further investment in Road Safety, Active Travel and public transport. This funding will be further augmented by the Cycling, Walking and Safer Street (CWSS) funding received from the Scottish Government and other external funding sources.
- 4.10 In order to continue to deliver high-quality services, the Council needs to continue to invest in the condition and suitability of its assets. The Sustainable Capital Budget Strategy 2021-31, as set out in Appendix 1, includes £204.911m for the existing operational estate and £155.197m for carriageways and footways as well as continuing investment in specific assets such as the completion of the North Bridge Refurbishment. Within the 2020-30 Capital Budget Strategy approved in February

there was a remaining provision of £4.242m for pressures from the existing capital programme. It is proposed that this is reallocated to the North Bridge Refurbishment project to fund justified additional costs, largely following ongoing detailed discovery of the condition of the bridge's key elements such as the concrete decking, steelwork and cast-iron façade. If any additional funding pressures occur on the North Bridge Refurbishment, these will be managed using existing roads and pavements budget.

- 4.11 The most recent update on the Communities and Families Learning Estate went to Finance and Resources Committee on 3 December 2020. It approved the contract for Boroughmuir High School extension could be awarded and that the contracts for Darroch (James Gillespie's High School Annexe), Trinity Academy (Bangholm Sports Facility) and Wester Hailes Education Centre (WHEC) Phase 1 Improvements could be awarded under delegated authority when it was appropriate. These are factored into the Communities and Families capital budget figures in Appendix 1.
- 4.12 There is a further £161.189m for schools under the heading 'infrastructure for population growth' as part of the Local Development Plan requirements. This will be kept under review to ensure that the timing of investment is aligned with wider development. The Education Appraisal for City Plan 2030 started in early December, once the final spatial strategy is agreed, outputs will be included in the Proposed Plan and fully costed in the Proposed Action Programme.
- 4.13 In addition to these projects, further investment in schools is planned within the strategy, with £323.365m allocated to complete the Wave 4 school replacement and refurbishment programme, to deal with rising school rolls and modernise the learning estate whilst considering environmental factors. On the 18 December 2020 the Scottish Government announced that the Council's Liberton High School and WHEC Phase 2 Wave 4 projects would both be part of phase 2 of the Learning Estate Investment Programme. The financial implications of this announcement on our funding assumptions are summarised in paragraph 4.27.
- 4.14 Within the existing plan there is also £0.761m for Libraries in 2021/22. £0.350m of this is for the Open Libraries pilot and £0.350m for Library enhancement projects, including £0.200m for Pennywell Hub and £0.150m Ratho Library Nursery Community Hub. The remaining £0.061m is for other small projects.
- 4.15 Edinburgh is a growing city and capital investment is required both to promote inclusive growth and to address its impacts on citizens and the city. The capital programme provides investment of £61.400m in the St James Quarter Growth Accelerator Model (GAM) and a further £1.500m in public realm assets surrounding the new St James development as well as the extension of the tram line to Newhaven. The Tram to Newhaven will unlock a large swathe of the city for housing development and employment opportunities that would not be possible without high capacity public transport. It will also help to reduce air pollution by providing efficient, sustainable transport solutions while opening people-friendly transport links for individuals and communities from all walks of life.

- 4.16 Economic growth in Edinburgh has resulted in increased house prices and rent levels, making good quality housing unaffordable to many citizens. While additional social housing provision is financed by the Housing Revenue Account, the general fund capital programme provides £218.211m for lending to Edinburgh Living and National Housing Trust LLPs over the next three years. These projects are self-financing as a result of income from affordable rents. This is a change from the previous strategy which assumed on-lending beyond 2023/24. Further detail is provided in paragraph 4.34.

Proposed Expenditure Savings

- 4.17 The effect of applying uplifts to the 2020-30 Capital Budget Strategy for COVID-19 and the sustainability agenda resulted in significant additional funding pressure to the 2021-31 Capital Budget Strategy. Given the financial issues facing the Council, the programme is recommended to be reduced in scope to the present funding envelope. It is recommended that most projects tackling sufficiency issues continue as the Council would risk failing to meet its statutory responsibilities if not delivered. However, there is an opportunity to review education infrastructure aligned to the growth of the city in line with the emerging Adaptation and Renewal programme and further growth to be outlined in the City Plan 2030. Accordingly, efficiency targets for this programme are described below. The net-zero carbon agenda suggests that sustainability projects should proceed in their entirety.
- 4.18 The Communities and Families projects make up a significant part of the 2021-31 Capital Budget Strategy and through the Adaptation and Renewal programme it is the ambition that in the longer term through transformation to learning and teaching methods and practice (e.g. digital learning; outdoor learning; flexible learning; inclusion) and the development of community hubs it will be possible to reduce the overall requirement for new buildings.
- 4.19 It should also be possible to reduce the overall requirement for education infrastructure currently in the strategy associated with the growth of the city through a new review aligned to the production of the City Plan 2030. There is also an ambition from the Communities and Families Directorate to increase inclusion of all pupils in their local catchment schools and this could result in additional receipts from disposal of sites which can be reinvested in learning estate projects over the course of the 10-year capital budget strategy.
- 4.20 In order to progress these transformation opportunities detailed analysis, planning, consultation and engagement will be required. Catchment reviews, school extensions rather than establishing new schools and suitability analysis to improve the learning environments in existing schools will all be considered as part of this process.
- 4.21 It is considered essential to begin the analysis and planning stage with ambitious saving targets for the Communities and Families Directorate to reduce capital spend on floor space from the outset because this is one of the driving forces for the Adaptation and Renewal programme. A business plan will be developed and

through receipts and savings a total of £63.160m is proposed to be removed from the strategy as a result of the review of the learning estate programme.

- 4.22 In addition to this saving, £13.340m has been removed from Rising School Rolls capital budget allocations as the Adaptation and Renewal programme combined with catchment reviews, where necessary, and new learning estate infrastructure associated with the growth of the city will address the expected accommodation pressures.
- 4.23 The 2020-30 Capital Budget Strategy, approved in February 2020, allocated £10.000m towards a new, 60 bed Integrated Care Facility (ICF), as well as ring-fencing a further £5.000m of capital receipt towards this facility. This allocation is now put forward as part of the savings target as a proposal for a smaller scale ICF has been developed. Given the benefits that could arise from the facility, it is proposed that a business case is developed, considering this smaller scale proposal, alongside changing patterns of bed based care, to identify a partially self-funding model to deliver this new facility, requiring a balance of £2.000m to be retained from the £5.000m receipt to fund the balance. Details of this partial ring-fencing are included in Appendix 4 on ring-fencing of capital receipts.
- 4.24 Within the Place Directorate, a saving of £1.500m is proposed from Street Lighting, which will leave it with an annual budget of £0.867m from 2023/24 onwards. The work of the linked energy efficiency street lighting project should result in street lighting lifecycle costs reducing in future and this reduced budget allowance will still enable the Council to carry out structural testing and replace street lighting columns, cables, supply cabinets and pillars, lit bollards, lit signs and wall boxes that have reached the end of their useful lives. A further saving has also been proposed of £6.000m across the wider Carriageways and Footways budget. The consequence of this saving could be a deterioration of the carriageway network and the potential for an increase in revenue funding requirements to repair defects on the network.
- 4.25 Year-on-year there is also slippage in the capital programme and this has been factored into this Strategy. A slippage assumption has been applied over the latest cashflows and that has moved £5.579m out of the 10-year programme into financial year 2031/32.
- 4.26 These savings and funding assumptions are summarised in Appendix 2, along with summarised details of the other proposed movements from the 2020-30 Capital Budget Strategy approved in February 2020.

Proposed Capital Funding

- 4.27 The Sustainable Capital Budget Strategy 2021-31 funding remains largely unchanged from the Capital Budget Strategy 2020-30 which was approved in February 2020, except for the following changes:

- the 2021-22 General Capital Grant assumption has been revised down from £43.500m to £38.225m to be consistent with 2020-21 funding level (per para 4.5), creating a further pressure of £5.275m. This has been extended for the two following years based on the latest information, creating a total funding pressure of £17.325m. If this trend continues, there will be further pressure within the strategy;
- Phase 2 of the Learning Estate Investment Programme was announced on 18 December 2020 which included Liberton High School and WHEC Phase Two, as a result, changes have been made to the assumed revenue funding available and net additional funding of £7.700m has been included within the strategy; and,
- there was an assumption of £19.997m of funding from asset sales to support the Wave 4 schools in the original business case, however, given the uncertainty surrounding these receipts while the design options are developed, they have been removed from the funding model. A movement of £4.569m in other contributions has offset this pressure to £15.428m. We will continue to monitor the likelihood and timing of these receipts and contributions.

4.28 It is worth noting the changes made to the capital programme as a result of Liberton High School being included in the Scottish Government Learning Estate Investment Programme will also address rising rolls issues at this school. There is also an intention that the project at Liberton will include a dedicated Gaelic Medium Education (GME) secondary provision and further discussions with the Scottish Government will be ongoing in relation to funding this element through the GME capital grant should the project progress through statutory consultation to delivery.

Funding Pressure and Risks

- 4.29 The overall funding position of the additional funding opportunities and expenditure is summarised in Appendix 3. It shows that the programme is funded in the short-term, but pressures require action from 2023/24 which would require further re-profiling of priorities, reduction in scope of projects or additional revenue savings to fund the borrowing costs to deliver the Capital Budget Strategy.
- 4.30 This is an aspirational Capital Budget Strategy but due to the funding pressure will require an annual gateway review before commitment to fund projects is made to ensure the Council does not commit to projects which become unaffordable in the medium- to long-term as several projects span a number of financial years.
- 4.31 As detailed in paragraph 4.7 (bullet point 4) and paragraph 4.27 (bullet point 1) above, the General Capital Grant has been reduced for the next three financial years to reflect anticipated capital grant funding levels from the Scottish Government. There is a risk that this lower than anticipated level of capital grant continues for the longer-term, which would increase the overall funding gap of the strategy.

- 4.32 There is an assumption that 10% of the annual revenue Council Tax increase can be used to support borrowing costs but this assumption is dependent upon Scottish Government flexibility on Council Tax levels and continued growth in the Edinburgh housing sector increasing the Council Tax base.
- 4.33 Discussions are ongoing regarding the planned £25m redevelopment of the King's Theatre. The Theatre Development Fund (TDF), a designated fund built up over many years for the capital project has had to be partly used to cover day to day expenditure although Scottish Government support has partially mitigated this position. The uncertainty over the return of the Trust's programme (and audiences) will reduce the TDF earnings further and this uncertainty is likely to be the position for some months yet. An updated business case addressing the funding of the project will be required before the project can progress.
- 4.34 Following on from paragraph 4.16, at present the City of Edinburgh Council only has consent to borrow from the Scottish Government for Edinburgh Living LLP up to 2023-24 for a total of £248.000m. The Housing Revenue Account (HRA) Business Plan assumes continuation of the consent beyond this point, in the form of capital receipts in the HRA. Options are being reviewed to address the requirement for consent for future years on-lending.
- 4.35 The Capital Budget Strategy assumes Capital Receipts of £3m per year which may be difficult to achieve following the COVID-19 economic slowdown. As referenced in Appendix 4, there is also a risk that if capital receipts are not received, or not received in the same financial year as the expenditure is incurred, additional funding pressures will occur which would increase the revenue pressures with higher than anticipated revenue loan charges.
- 4.36 Finally, there is still a potential risk of expenditure exceeding budget on projects and these will be reviewed as part of the quarterly monitoring and included in the Council's 2021 budget planning process, as appropriate.

Unfunded Capital Priorities and Pressures

- 4.37 In addition to the existing programme and additional priorities, we are developing a funding strategy to deliver City Centre Transformation and the wider City Mobility Plan. This will be reported at a later date to Committee.
- 4.38 The wider financial implications of City Plan 2030 may also have a further impact on the 2021-31 Capital Budget Strategy which have yet to be fully understood and reflected in the assumptions.
- 4.39 Council is aware that community centres are greatly valued by their local communities. A report detailing the condition of the existing estate was considered by the Finance and Resources Committee on 5 March 2020 with an indicative cost of £13.625m (pre-Covid) attached but this remains unfunded. Any strategy for investing in community centres requires to align with the Council business plan and emerging themes under the Adaptation and Renewal programme, which will be developed through the local place making plans later in 2021.

- 4.40 It should be noted that while the proposed Capital Budget Strategy now shows accelerated funding for Liberton High School and WHEC Phase Two in order to meet the delivery requirements of the Scottish Government's delivery programme, this adds additional pressures in certain years of the programme. Options to address these pressures will be considered as part of the ongoing review of the capital programme and include exploration of increased borrowing potential, analysis of expected developer contributions aligned to housing sites in the forthcoming City Plan 2030 and new receipts generated through reorganisation of the learning estate for pupils with additional needs which will focus on the strategic objective of including as many pupils as possible in their catchment school.
- 4.41 In a similar vein, several unfunded pressures have been put forward by the Place Directorate, which cannot be funded from existing budgets. Appendix 5 sets out unfunded capital pressures.

Prudential Indicators

- 4.42 The Sustainable Capital Budget Strategy 2021-31 will be reflected in the Council's prudential indicators, which accompany the Budget Motion.

5. Next Steps

- 5.1 The Capital Budget Strategy 2021-31 will be referred to Council as part of the Council's budget setting process on 18 February 2021.

6. Financial impact

- 6.1 This report sets out capital expenditure of £1,455.344m, offset by capital funding of £1,283.565m, resulting in an additional funding requirement of £171.779m in loans fund advances above that already assumed in the strategy. The remaining £171.779m is currently unfunded and will require the Council to find additional revenue savings. A profile of this additional funding pressure and revenue savings is set out in Appendix 3. If the Council is unable to make the revenue savings at that time, then capital expenditure will need to be reduced, potentially meaning that later phases of the Wave 4 Schools programme could not be delivered. Any additional capital resources received will be used to reduce this funding deficit.
- 6.2 Revenue budget planning assumptions mean that that costs associated with £78.000m of the loans fund advances will be met from savings initiatives and £43.000m can be met from Council Tax. This is contingent on the Council approving a balanced medium-term revenue budget in February 2021. It is also assumed that £48.700m will be supported by revenue for investment in the learning estate. A further £100.024m will be funded through prudential borrowing supported by revenue income and savings.

- 6.3 Investment in additional assets is likely to result in increased running costs. A report on the associated cost implications of changes in the size and profile of the Council's operational property estate was considered by the Finance and Resources Committee on 23 May 2019. The report noted the need to provide for the additional revenue costs of several demand- and condition-led school replacements and new-builds. Based on the cost projections intimated in that report and sums provided within the budget framework in respect of known rising school rolls projects, the Wave Four schools programme (as set out in the original 2018 business case) and additional, or expanded, facilities linked to the Local Development Plan, this level of provision was anticipated to be sufficient to meet, in full, these additional costs at that time. There is, however, a continuing need to assess, based on best-available expenditure and income projections for the projects concerned, the adequacy of sums provided within the budget framework in respect of known and emerging potential commitments. As a result, all projects will be required to produce a detailed business case, setting out both capital and revenue costs and demonstrating how they will be funded prior to project commencement as part of the wider Gateway process requirement.

7. Stakeholder/Community Impact

- 7.1 Consultation on the capital budget was undertaken as part of the wider engagement on the Council's budget.
- 7.2 The stakeholder and community impact of individual projects within the Council's capital programme is considered as part of the business cases for those projects.

8. Background reading/external references

- 8.1 [Wave 4 Infrastructure Investment Programme](#), Finance and Resources Committee, 11 October 2018
- 8.2 [Edinburgh Tram – York Place to Newhaven Final Business Case](#), The City of Edinburgh Council, 14 March 2019
- 8.3 [Capital Budget Strategy 2020-30](#), Finance and Resources Committee, 10 October 2019
- 8.4 [Communities and Families Learning Estate](#), Finance and Resources Committee, 10 October 2019
- 8.5 [Capital Budget Strategy 2020-30](#), The City of Edinburgh Council, 20 February 2020
- 8.6 [Capital Strategy 2020-30 – Annual Report](#), The City of Edinburgh Council, 12 March 2020
- 8.7 [Capital Budget Update - 2019/20 Provisional Outturn and 2020/21 COVID-19 Forecast](#), Policy and Sustainability Committee, 25 June 2020

- 8.8 [2020-30 Capital Budget Strategy – 2020/21 Period 3 Monitoring and Revised Budget Update](#), Finance and Resources Committee, 27 August 2020
- 8.9 [2020-30 Capital Budget Strategy – 2020/21 Period Five Monitoring and Revised Budget Update](#), Finance and Resources Committee, 29 October 2020
- 8.10 Communities and Families Learning Estate – Project Contract Awards, B Agenda, Finance and Resources Committee, 3 December 2020
- 8.11 [2020-30 Capital Budget Strategy – 2020/21 Period Eight Monitoring](#), Finance and Resources Committee, 21 January 2021

9. Appendices

- 9.1 Appendix 1 – Sustainable Capital Budget Strategy 2021-31 (incorporating out-turn slippage from 2020/21)
- 9.2 Appendix 2 – Changes from Capital Budget Strategy 2020-2030 - Pressures and (Savings)
- 9.3 Appendix 3 – Sustainable Capital Budget Strategy 2021-31 – Funding Pressure
- 9.4 Appendix 4 – Sustainable Capital Budget Strategy 2021-31 - Capital Receipts
- 9.5 Appendix 5 - Sustainable Capital Budget Strategy 2021-31 - Unfunded Capital Pressures
- 9.6 Appendix 6 - Sustainable Capital Budget Strategy 2021-31 - Unfunded Capital Pressures – Prioritisation Criteria

A Sustainable Capital Budget Strategy 2021-2031 (incorporating out-turn slippage from 2020/21)

Expenditure		Total	Projected											
			Slippage from 2020/21	Indicative Budget 2021/22	Revised Budget 2021/22	Indicative Budget 2022/23	Indicative Budget 2023/24	Indicative Budget 2024/25	Indicative Budget 2025/26	Indicative Budget 2026/27	Indicative Budget 2027/28	Indicative Budget 2028/29	Indicative Budget 2029/30	Indicative Budget 2030/31
Expenditure			£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Communities and Families	Early Years	23.704	4.947	15.164	20.111	3.593	-	-	-	-	-	-	-	-
Communities and Families	Primary Schools	25.440	3.052	22.388	25.440	-	-	-	-	-	-	-	-	-
Communities and Families	Wave 3 Schools	14.007	2.348	11.659	14.007	-	-	-	-	-	-	-	-	-
Communities and Families	Wave 4 Schools	323.365	0.149	31.021	31.170	38.358	56.505	68.218	36.320	10.489	43.932	25.888	12.485	-
Communities and Families	Libraries	0.761	-	0.761	0.761	-	-	-	-	-	-	-	-	-
Communities and Families	Sports Facilities	9.519	0.009	8.025	8.034	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165
Communities and Families	Safer and Stronger Communities CCTV	0.979	0.979	-	0.979	-	-	-	-	-	-	-	-	-
Communities and Families	Other Communities and Families	0.919	(0.919)	-	(0.919)	-	-	-	-	-	-	-	-	-
Communities and Families	Infrastructure for Population Growth	161.189	3.459	19.220	22.679	14.430	7.863	12.568	28.014	33.514	28.335	3.174	0.612	10.000
Place	Depot Review	7.311	(0.232)	7.543	7.311	-	-	-	-	-	-	-	-	-
Place	Parks and Greenspace and Other Environment	3.776	0.178	1.598	1.776	0.400	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200
Place	Fleet Replacement	7.622	0.145	7.477	7.622	-	-	-	-	-	-	-	-	-
Place	Home Owners Adaptation Grants and Other Housing and Regeneratio	10.236	(0.000)	1.236	1.236	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Place	Town Centre Fund	2.593	2.593	-	2.593	-	-	-	-	-	-	-	-	-
Place	Roads and Transport Infrastructure (including North Bridge)	155.197	1.691	27.477	29.168	23.246	13.125	11.094	13.094	13.094	13.094	13.094	13.094	13.094
Place	Energy Efficiency Street Lighting Project	8.416	3.422	4.994	8.416	-	-	-	-	-	-	-	-	-
Place	Road Safety and Active Travel (including CWSS)	47.915	1.182	16.345	17.526	9.599	2.599	2.599	2.599	2.599	2.599	2.599	2.599	2.599
Place	10% Cycling Commitment	19.613	-	3.566	3.566	1.783	1.783	1.783	1.783	1.783	1.783	1.783	1.783	1.783
Place	St James GAM/Picardy Place	62.900	-	62.900	62.900	-	-	-	-	-	-	-	-	-
Place	Tram Life Cycle Replacement	11.129	1.129	1.000	2.129	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Place	IMPACT	5.000	-	-	-	-	-	5.000	-	-	-	-	-	-
Place	King's Theatre (£4m Capital Contribution)	4.000	-	-	-	-	4.000	-	-	-	-	-	-	-
Place	King's Theatre (£5m Prudential Borrowing)	5.000	-	-	-	-	5.000	-	-	-	-	-	-	-
Place	Leith Theatre	0.501	(0.255)	0.756	0.501	-	-	-	-	-	-	-	-	-
Place	Other Culture	0.182	0.182	-	0.182	-	-	-	-	-	-	-	-	-
Place - Lending	Lending - Edinburgh Living LLPs	209.451	7.042	13.260	20.302	4.856	184.293	-	-	-	-	-	-	-
Place - Lending	Lending - National Housing Trust (NHT)	8.760	4.718	4.042	8.760	-	-	-	-	-	-	-	-	-
Place - Trams	Tram to Newhaven	126.739	6.509	71.005	77.514	37.710	11.515	-	-	-	-	-	-	-
Resources	ICT	8.775	(0.125)	2.213	2.088	0.807	1.091	1.597	0.669	0.678	0.615	0.615	0.615	-
Resources	Asset Management Works	204.911	(5.055)	25.916	20.861	25.650	19.800	19.800	19.800	19.800	19.800	19.800	19.800	19.800
Slippage Assumption	Slipped from Previous Year	112.841	-	-	-	-	16.260	32.620	15.764	12.041	9.636	12.216	8.153	6.151
Slippage Assumption	In-Year	- 118.420	-	-	-	(16.260)	(32.620)	(15.764)	(12.041)	(9.636)	(12.216)	(8.153)	(6.151)	(5.579)
Unallocated		30.000	-	-	-	-	-	-	5.000	5.000	5.000	5.000	5.000	5.000
Total Expenditure		1,492.494	37.149	359.566	396.715	146.337	293.578	141.879	113.367	91.726	114.943	78.380	60.356	55.212
Funding Opportunities														
<i>Income</i>														
Existing Programme - Funding	Asset Sales (Unringfenced)	30.000	-	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000
Existing Programme - Funding	Income	-	-	-	-	-	-	-	-	-	-	-	-	-
Existing Programme - Funding	Capital Grants Unapplied Account	17.864	-	14.442	14.442	3.422	-	-	-	-	-	-	-	-
Existing Programme - Funding	General Capital Grant	440.175	-	38.225	38.225	38.225	38.225	45.000	45.500	46.000	46.500	47.000	47.500	48.000
Existing Programme - Funding	Developers Contributions - Tram	3.420	-	0.380	0.380	0.380	0.380	0.760	0.760	0.760	-	-	-	-
Existing Programme - Funding	Loans Fund Advances - Prudential	100.024	3.210	85.127	88.337	0.807	6.091	1.597	0.669	0.678	0.615	0.615	0.615	1.597
Existing Programme - Funding	Loans Fund Advances - On-Lending	218.211	11.760	17.302	29.062	4.856	184.293	-	-	-	-	-	-	-
Existing Programme - Funding	Loans Fund Advances - Trams to Newhaven	123.319	6.509	70.625	77.134	37.330	11.135	-	0.760	-	0.760	-	-	-
Existing Programme - Funding	Loans Fund Advances - General	120.091	15.670	92.323	107.993	13.554	-	0.273	-	0.304	-	0.304	-	0.304
Borrowing supported by	Scottish Government Schools Funding	48.700	-	-	-	-	-	18.700	30.000	-	-	-	-	-
Borrowing supported by	Revenue Budget Framework	78.000	-	22.500	22.500	25.500	30.000	-	-	-	-	-	-	-
Borrowing supported by	10% of Increased Council Tax take	43.000	-	8.600	8.600	4.300	4.300	4.300	4.300	4.300	4.300	4.300	4.300	-
External Funding	Developers contributions (Wave 4)	12.511	-	0.056	0.056	5.612	1.158	3.743	0.436	1.506	-	-	-	-
External Funding	Developers contributions (LDP)	58.400	-	-	-	0.165	-	6.150	1.619	3.382	12.794	19.237	15.053	-
External Funding	Asset Sales (Wave 4)	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	Capital Fund Drawdown	27.000	-	6.986	6.986	9.186	-	10.828	-	-	-	-	-	-
Total Funding Opportunities		1,320.715	37.149	359.566	396.715	146.337	278.309	93.014	85.220	58.562	66.905	73.848	70.164	51.641

Pressures and Uplifts

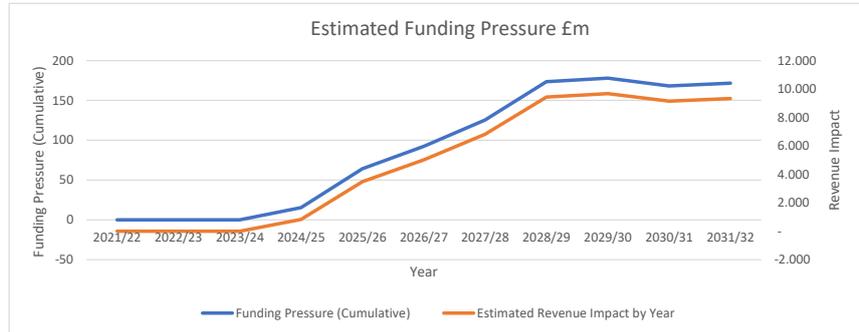
Type of Movement	Directorate	Division/Project	Amount
Uplift	Communities and Families	Early Years	0.893
Uplift	Communities and Families	Primary Schools	1.066
Uplift	Communities and Families	Wave 3 Schools	0.555
Uplift	Communities and Families	Wave 4 Schools	49.022
Uplift	Communities and Families	Infrastructure for Growth	29.040
Uplift	Place	Road Safety and Active Travel	1.238
Pressure	Place	North Bridge Major Refurbishment	9.889
Pressure	External Funding	Net Asset Sales (Wave 4) + Contributions	15.428
Pressure	External Funding	General Capital Grant	17.325
		Pressures and Uplifts	124.456

Savings and Funding

Partial Saving	Communities and Families	Wave 4 Schools and Infrastructure for Growth	(63.160)
Partial Saving	Communities and Families	Rising School Rolls	(13.340)
Full Saving	IJB	Intermediate Care Facility	(10.000)
Partial Saving	Place	Transport Savings	(6.000)
Partial Saving	Place	Street Lighting	(1.500)
Funding	External Funding	Wave 4 Schools Funding	(7.700)
Slippage Assumption	Slippage Assumption	Slippage Assumption	(5.579)
		Savings	(107.279)
		Net Movement	17.177

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	
Total	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Total Capital Expenditure	1,455.345	359.566	146.337	293.578	141.879	113.367	91.726	114.943	78.380	60.356	55.212
Total Capital Funding	1,283.566	359.566	146.337	278.309	93.014	85.220	58.562	66.905	73.848	70.164	51.641
Funding Pressure (Incremental)	171.779	-	-	15.270	48.864	28.148	33.164	48.039	4.532	- 9.809	3.571

Estimated Funding Pressure Loan Charges	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Funding Pressure (Cumulative)	- 0.000	- 0.000	- 0.000	15.269	64.134	92.281	125.446	173.484	178.016	168.207	171.779
Estimated Revenue Impact by Year	- 0.000	- 0.000	- 0.000	0.830	3.487	5.017	6.821	9.433	9.679	9.146	9.340



Property Address	Ringfenced for Project Status	Project to be funded
132 West Mains Glasgow Road	No	Corporate Capital Receipt
144 Pitt Street	No	Corporate Capital Receipt
167/1 Balgreen Road Pansy Walk	No	Corporate Capital Receipt
32 West Mill Road	No	Corporate Capital Receipt
53 Prince Regent Street	No	Corporate Capital Receipt
5-6 Marshall's Court	No	Corporate Capital Receipt
5-7 Regent Road (former Royal High School)	No	Corporate Capital Receipt
Balgreen Bowling Green	No	Corporate Capital Receipt
Craighleith Crescent, Edinburgh Plot 212	No	Corporate Capital Receipt
Ferry Road, Edinburgh Plot 1	No	Corporate Capital Receipt
Springfield Road, Penicuik land	No	Corporate Capital Receipt
Wellington Primary School, Penicuik	No	Corporate Capital Receipt
Whitehill Roads	No	Corporate Capital Receipt
26 Viewforth - Boroughmuir High School	No	Corporate Capital Receipt
26 Viewforth - Boroughmuir High School	£2m from total	Intermediate Care Facility
Castlebrae High School	Yes	Castlebrae High School Refurbishment
Longstone Depot	Yes	Depot Review
Tower Street Industrial Estate, Leith	Yes	Depot Review
		Ferniehill YPC (£60k) and remainder to St
St Katherines Secure Unit Bamwell Terrace	Yes	Crispin's Special School Replacement
15(a) Pennywell Court	Yes	Pennywell/Macmillan Hub
83 Pentland View	Yes	Oxgangs New YPC
St Crispins School	Yes	St Crispin's Special School Replacement
Old Victoria Primary School buildings	Yes	Victoria Primary School

Please note, these receipts and the corresponding expenditure has not been reflected in Appendix 1. If they are not received, or not received in the same financial year as the expenditure, this will create additional pressures to those shown in Appendix 3. For example, the Oxgangs YPC capital project is complete but the receipt is needed to fund the construction.

Capital Budget Strategy 2021-31 – Unfunded Capital Pressures

Projects	Total Cost (including Third Party)	Total Funding Gap	Priority Score
	£m	£m	
Bridge Structure	9.000	7.050	35
Parks and Greenspace Infrastructure Upgrade	2.100	1.900	33
Hostile Vehicle Mitigation	3.000	3.000	30
West Princes Street Gardens (including Ross Theatre)	30.000	5.000	28
Parking Pay and Display Ticket Machines	2.300	2.300	23
Craigmillar Cemetery Extension	0.850	0.850	22
Cramond Chain Ferry / Promenade	1.100	1.100	21
Allotments	0.400	0.400	19
Pentland Paths	3.130	0.400	17
Community Centres	13.625	13.625	TBA
Parks and Cemeteries Walls and Infrastructure	10.000	8.000	TBA
Provision of modern and accessible public toilet facilities in premier parks	2.500	2.500	TBA
	78.005	46.125	

Capital Budget Strategy 2021-31 – Unfunded Capital Pressures - Prioritisation Criteria

All bids for the 2020 capital budget setting process have been assessed against a series of criteria to determine their priority for funding, as described below.

All bids have been assessed on a scale of 0-5 points against the following criteria to determine their relative merits. The first three criteria are considered to be particularly important, and have accordingly been given a weighting of three to reflect their importance, allowing a maximum score of 15 per criterion. The remaining criteria are of lesser importance and a maximum score of 5 per criterion is possible. Those projects delivering a statutory function have been accorded greater weight in the scoring.

1. Health and Safety – poor condition buildings or equipment score highly as they pose a risk to health and safety (max points 3x5 = 15);
2. Statutory Requirement – where the Council is obliged to make provision under statute – for example having sufficient school places (max points 3x5 = 15);
3. Risk of operational failure – where an existing asset is at risk of failing, requiring the closure of the asset and stopping the delivery of the service (max points 3x5 = 15);
4. High reputational risk – where national media coverage is a risk, this scores 5; local coverage (Evening News) scores 3 (max points =5);
5. Fulfils Council commitment – contributes to delivering one the of the 52 Council commitments from the Business Plan (max points =5);
6. Significant income implication – projects may generate higher income (e.g. increased footfall in commercial venues), or may expose the Council to increased revenue costs if the project is not delivered – in either case they would score highly on this criterion (max points =5);
7. Sustainability benefits – may deliver benefits such as increased recycling, improved public transport use or building fabric upgrade, all scoring high points. New buildings which increase the Council's estate size and carbon footprint score 0. Buildings which replace existing buildings score some points for allowing a more sustainable design to be achieved (max points =5).

A total score of 65 is achievable.

The initial scores were undertaken by each service department however, these were moderated by Strategic Asset Management to ensure consistency across the application of the scoring methodology.

It is recognised that the standardised scoring methodology can only provide an initial starting point and further information on the circumstances of a project may increase its priority.