

# Policy and Sustainability Committee

10.00am, Tuesday, 5 October 2021

## Granton Waterfront Regeneration – Outline Business Case

<b>Executive/routine Wards Council Commitments</b>	<b>Executive</b> <b>4 – Forth 1- Almond</b> <a href="#">1,2,4,6,10,13 and 15</a>
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### 1. Recommendations

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- 1.1 It is recommended that the Policy and Sustainability Committee:
  - 1.1.1 Approves the findings and recommendations set out within the Outline Business Case (OBC);
  - 1.1.2 Agrees to undertake stage 3 activities, as outlined in section 5, to produce a Final Business Case (FBC) for Phase 1 ‘Heart of Granton’, which will include procurement of a development partner and progression of the business case stages for a low carbon district heat network; and
  - 1.1.3 Notes progress with delivering Early Action Projects within the Programme.

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## Granton Waterfront Regeneration – Outline Business Case

### 2. Executive Summary

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- 2.1 Over the next 15 years, Granton Waterfront will set the standard for sustainable economic growth in Edinburgh. An ambitious approach to low carbon living in an environment that is climate resilient, inclusive and well connected will support prosperity and wellbeing, locally, and across the city region.
- 2.2 Stage 1, [Programme Delivery Plan](#) was approved by Committee in February 2020 and stage 2, OBC is now complete.
- 2.3 This report seeks approval for the Outline Business Case (OBC) and to progress with stage 3 activities. A progress update on Early Action Projects is also provided.

### 3. Background

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- 3.1 Granton Waterfront is a 150-hectare site on the Firth of Forth in the northwest of Edinburgh, Scotland. Historically dominated by the Gasworks, the site now comprises a mix of vacant brownfield land, ageing industrial estates and derelict historic structures, along with pockets of residential and green space.
- 3.2 The Granton Waterfront sits within a cluster of neighbourhoods that have historically suffered from relatively high levels of deprivation: Drylaw, Muirhouse, Pennywell, Pilton, Royston Mains and Wardieburn.
- 3.3 Granton Waterfront is one of seven strategic sites prioritised for delivery as part of the Edinburgh and South East Scotland City Region Deal.
- 3.4 In [March 2018](#), the Housing and Economy Committee agreed the high-level objectives for the regeneration of Granton Waterfront including the intention to work collaboratively with the public-sector partners and the local community to develop a vision for Granton. This included agreement to create a development framework for the area to guide future development.
- 3.5 In March 2018, the Finance and Resources Committee (B agenda) agreed to note the purchase of the Forthquarter site in Granton Waterfront. In May 2018, land in Granton Waterfront held formerly in Waterfront Edinburgh Limited (WEL/EDI)

ownership officially transferred over to the Council. As a result, the Council now owns approximately 50 hectares of developable land in Granton Waterfront.

- 3.6 In 2018, the Council formed a strategic partnership with five other organisations – Edinburgh College, National Galleries of Scotland (NGS), National Museums Scotland (NMS), the Scottish Futures Trust and the Scottish Government – to accelerate the regeneration of Granton Waterfront. The six organisations are collectively referred to as the “Strategic Partners”.
- 3.7 On [25 February 2020](#) the Programme Delivery Plan for Granton was presented to the Policy and Sustainability Committee with agreement to develop an OBC for approval by Committee prior to development of detailed business cases.
- 3.8 On [26 February 2020](#) the Planning Committee approved the Development Framework for Granton Waterfront as non-statutory planning guidance, setting out the vision and key principles for all future development.
- 3.9 In mid-2020, the Council commenced work on an OBC for a Council-led regeneration of Granton Waterfront.
- 3.10 The OBC, included in [Appendix 1](#), has been prepared in accordance with the business case development process set out in Office of Government Commerce and HM Treasury guidance.
- 3.11 In parallel with producing the OBC, a series of early action projects have been developed to enable accelerated delivery of net zero carbon affordable homes, enhanced connectivity and commercial and creative workspace. Further detail on progress within each of these projects can be found in Appendix 2. These projects are paving the way for Granton to become a leading example in sustainable development: supporting the transition to net zero carbon, creating an outstanding place and supporting inclusive growth.
- 3.12 The work to produce the OBC and progress on the early action projects is overseen by the Edinburgh Waterfront All Party Oversight Group, in conjunction with an officer led, Edinburgh Waterfront Board.

## **4. Main report**

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- 4.1 Granton Waterfront regeneration will create a new coastal town, home to around 8,000 people on Edinburgh’s waterfront. It will deliver around 3,500 net zero carbon homes, a primary school, a health centre, commercial and cultural space and a new coastal park. These new uses will be supported by new cycling and walking routes and enhanced public transport connections. Through exemplar urban design and planning, the realisation of benefits associated with achieving a 20-minute neighbourhood with enhanced connections to the city and wider region will create a truly outstanding place to live, work, learn and visit.
- 4.2 The overall development will make a significant contribution to Edinburgh’s target to become a net zero carbon city by 2030 through a mix of energy efficient buildings,

renewable energy solutions, sustainable travel options and a nature-based approach to climate mitigation and adaptation.

4.3 The main findings of the OBC are set out below:

#### **The Strategic Case**

4.4 The Granton Waterfront regeneration programme supports the delivery of the Council Business Plan, the City Mobility Plan and the emerging City Plan 2030.

4.5 The Granton Waterfront regeneration has the potential to help meet the top three priorities for the Council:

##### **4.6.1 Ending poverty and preventing adverse outcomes such as**

**homelessness and unemployment:** the Council has set ambitious goals of delivering at least 20,000 new affordable homes (alongside registered social landlord partners) in Edinburgh by 2027 and eliminating poverty in Edinburgh by 2030. Granton Waterfront will deliver:

4.6.1.1 At least 1,225 new affordable homes (of which around 455 will be delivered through early action projects, and 53 through phase 1 over the next five years), both reducing poverty and homelessness;

4.6.1.2 Thousands of new construction and end-use jobs, creating employment and training opportunities for people who are unemployed or underemployed;

4.6.1.3 New affordable workspaces will help people start their own businesses; and

4.6.1.4 Educational outcomes which will be enhanced via new learning and upskilling opportunities, enabling people to enhance their employment prospects.

4.6.2 **Becoming a net zero city:** the Council's ambition is to achieve net zero carbon by 2030. A comprehensive regeneration such as Granton Waterfront is an excellent opportunity to deliver an exemplar community centred on sustainability. A suite of measures such as energy efficient well-insulated homes, renewable energy sources, natural flood defences, new and enhanced green spaces, improved public transport, minimal car ownership (with prioritisation of electric vehicles), new foot and cycle paths, innovative waste management strategies and local food production will contribute to the net zero carbon goal.

4.6.3 **Ensuring wellbeing and equalities are enhanced for all:** Granton Waterfront will give residents easy access to services via new facilities such as a health centre, a nursery, and leisure amenities such as a new coastal park. Existing and emerging communities will shape the regeneration, ensuring it meets their diverse needs now and into the future.

4.6 Additionally, Granton Waterfront will help deliver other local policies, such as a focus on delivering high-density housing on brownfield land (as articulated in the Council's Choices for City Plan document) and a prioritisation of active travel and

bus/tram-based mass rapid transit, as set out in the City Mobility Plan for Edinburgh.

- 4.7 The regeneration of Granton Waterfront will also contribute to the delivery of relevant national policies. The Economic Strategy for Scotland sets out the four key priorities for Scotland’s economy of investment, innovation, inclusive growth and international outlook, while the Economic Recovery Implementation Plan emphasises a “jobs-led” recovery from the economic shock of COVID-19. Granton Waterfront will create the conditions and opportunities for massive-scale public and private investment in Scotland. Construction expenditure and the delivery of new workspaces and public sector facilities will bring employment to a historically deprived area, which in turn will support employment via indirect and induced multiplier effects.
- 4.8 The delivery of low carbon energy solutions will create jobs in the emerging green-sector. A revitalised Edinburgh College campus and modern affordable workspaces aimed at early-stage businesses in high-growth sectors such as technology and creative industries will encourage entrepreneurialism and innovation. The creation of new parkland and leisure facilities along with the restoration of historic buildings will drive visitor inflows, while the uplifting of Granton Waterfront will make it an attractive place for international investment, tourism, and migration.

### The Economic Case

- 4.9 The economic appraisal of the Granton Waterfront regeneration programme tests delivery options to assess which represents best value for money.
- 4.10 Critical success factors for the regeneration programme have been identified as: implementation and timing, delivery capabilities, affordability and strategic fit. Each delivery option has been assessed against these allowing a long list to be discounted to a short list of three categorised under “do minimum”, “partial investment” and “full investment”. These have been summarised below:

Category	Do Minimum	Partial Investment	Full Investment
Homes	Approximately 200 homes.  Extensive brownfield sites left contaminated and undeveloped.	Approximately 862 homes.  Extensive brownfield sites left contaminated and undeveloped.	Approximately 2,864 homes—note that early action projects already committed (a further 661 homes) have been excluded from economic and financial modelling. Overall, a minimum of 35% of the total homes delivered will be affordable.
Net zero carbon	Minimum requirements only.	Individual air source heat pumps.	Low carbon district heating network.
Sustainable Travel	Minimal active travel measures and public transport enhancements.	One transport hub, partial investment in active travel and public transport.	Two new transport hubs, expansive active travel network, enhanced public transport connectivity.

Commercial	Existing commercial space.	2,000 sqm of new commercial space.	9,065 sqm of new commercial space.
Place making	None.	Limited new public realm to join up plots, primary school, Limited coastal access.	New school / healthcare facility / coastal park and upgraded promenade / coastal resilience from flooding/ public realm.
Heritage	Maintenance of gas holder and other historic buildings.	Maintenance of gas holder and other historic buildings.	Refurbished gas holder and other historic buildings with scope for commercial long-term reuse.

- 4.11 A cost benefit analysis and economic impact assessment, in line with HM Treasury Green book guidance, has been carried out on the shortlisted options at an Edinburgh, City Region and Scotland level.
- 4.12 The economic impact assessment is based on considering the impacts of both the construction phase and the operating phase, combined for a 40-year period. At each area level, the “full investment” option returns the greatest economic impact.
- 4.13 The “full investment” option delivers the strongest benefit-cost ratio (BCR): 1.3 at an Edinburgh level. When the BCR is weighted to reflect deprivation in Granton Waterfront and surrounding neighbourhoods, this rises to 2.9. (Table 10 within appendix 1 OBC provides further detail).
- 4.14 The programme has a positive economic case, delivering £1.30 of benefit for each £1 of public sector investment.
- 4.15 The “full investment” option will also generate significant wider non-monetised benefits such as reduction of carbon emissions, reduction in fuel poverty and an increase in health and well-being benefits. Therefore, in practice, the BCR will be comfortably above stated monetised levels.
- 4.16 Overall, it is considered that the ‘full investment’ approach to the regeneration of Granton Waterfront represents best value for money for the public sector whilst best achieving the strategic objectives set out within the strategic case.

### **The Financial Case**

- 4.17 The financial model produced for the [2020 Programme Delivery Plan](#) has been revised and updated to include:
- 4.17.1 Detailed actual costings derived from early action projects;
  - 4.17.2 Updates based on phasing, decontamination and transport strategies; and
  - 4.17.3 Increased net zero carbon requirements.
- 4.18 Existing funding sources have also been reviewed and have been updated where appropriate, including residual land value, developer contributions, grant funding and the level of borrowing that could be supported by the Housing Revenue Account (HRA) and Edinburgh Living through their net rental income streams.

- 4.19 The cost plan assumes that the Council will deliver 35% of homes; Registered Social Landlords (RSL) 15% and the remaining 50% will be private sector led. A minimum of 35% of the homes will be affordable and delivered through Council and RSL partners.
- 4.20 The outputs of the modelling suggest a large viability gap. The total funding shortfall in delivering phases 1-4 of regeneration is £381.2m (£306.2m net of optimism bias). The first phase of regeneration has a funding shortfall of £70.1m (£45.5m net of optimism bias). These are further detailed in the table below:

Phase		Cost	Cost (Excl Optimism Bias)	Available Funding	Net position	Net position (Excl Optimism Bias)
One	Heart of Granton	£197.5m	£172.9m	£127.4m	£70.1m	£45.5m
Two	Harbour Road	£201.2m	£182.2m	£59.8m	£141.4m	£122.4m
Three	West Shore	£127.2m	£110.1m	£46.8m	£80.4m	£63.3m
Four	Upper Granton	£163.2m	£148.9m	£73.9m	£89.3m	£75.0m
<b>TOTAL</b>		<b>£689.1m</b>	<b>£614.1m</b>	<b>£307.9m</b>	<b>£381.2m</b>	<b>£306.2m</b>

- 4.21 Based on the extent of the shortfall, it is challenging to fund the entire programme from the outset, but the phased approach set out in paragraph 4.33 of this report, breaks down the programme into more achievable targets.
- 4.22 Taking this phased approach, a funding strategy has been set out which considers the potential sources of external funding to address the shortfall in Phase 1 'Heart of Granton'. This is set out in the below:

Area of Investment	Description	Capital cost	Funding Opportunity
<b>Housing (Council and Edinburgh Living)</b>	66 social rent homes, 53 mid market rent and 84 market rent homes. Including Commercial	£48.6m	Additional Affordable Housing Supply Programme grant funding; additional grant for mid market rent; debt sculpting to increase financial viability; City Region Deal Housing Infrastructure Fund
<b>Net zero carbon</b>	Low carbon heat technologies	£5.9m	Low Carbon Infrastructure Transition Programme, green recovery; Green Growth Accelerator; Scottish National Investment Bank; Shared Prosperity Fund
<b>Gas Holder restoration and other</b>	Restoration of structural frame and other heritage	£26.6m	Levelling Up Fund Bid; Historic Environment Scotland; National

<b>heritage assets</b>	buildings within framework area.		Lottery Heritage Fund; Shared Prosperity Fund
<b>Place-making and transport</b>	Public realm Cycle and footways Junction improvements Mobility hub	£52.0m	Place Based Investment Programme; Regeneration Capital Grant Fund; Places for Everyone; Sustrans; Shared Prosperity Fund
<b>Enabling and remediation</b>	Land remediation	£21.2m	Vacant and Derelict land Investment Programme

4.23 The table above excludes the Health Centre (£10.9m) and School (£32.3m) as funding is earmarked for these through NHS Lothian and the Council's capital programme respectively.

4.24 Success in delivering the regeneration in line with the vision will be dependent on the Council securing a package of funding from Government and other external parties as outlined above, and a commitment towards providing funding for future phases.

### **The Commercial Case**

4.25 The Granton Waterfront programme has a highly complex delivery profile based on remediation and vast enabling infrastructure required.

4.26 The delivery strategy has been informed by the key programme requirements along with an assessment of the main barriers to achieving these.

4.27 A revised phasing strategy is proposed based on delivering plots with lower infrastructure and remediation costs earlier on with the anticipated benefits of a 'place premium' being used to offset higher abnormal costs in later phases.

4.28 Delivery models have been considered and it is concluded that a combination of partnering with the private sector and entering into contracts for specialist work will best help achieve the programme requirements at this current point in time.

4.29 As highlighted within the Financial Case, there is a significant funding shortfall, thus, there is not considered to be a viable market option that would allow for delivery of the overall programme from the outset.

4.30 The Council will retain the "master developer" role moving forward and apply a phased approach to development delivery that maximises opportunities and benefits, optimises market interest and manages risks. This phased approach is set out below:



Phase	Title	No. of homes	Start	Completion
Phase 1	Heart of Granton	788	May 2024	April 2028
Phase 2	Harbour Road	768	March 2026	May 2031
Phase 3	West Shore	726	June 2026	May 2033
Phase 4	Upper Granton	582	August 2031	May 2036
Total		2,864		

- 4.31 The total number of homes above do not include early action projects, which will see an additional 661 homes delivered between 2022 and 2026. This takes the overall number of homes delivered within Granton Waterfront to 3,525. These homes will be delivered alongside key services and public realm as set out in the phasing plans within section 5 of appendix 1.
- 4.32 A delivery strategy for phase 1 has been identified which seeks to appoint a development partner whilst in parallel progressing development of the district heating network business case stages.
- 4.33 A pre-development period may be utilised following the appointment of a development partner. This stage can be useful in adding value, ensuring co-ordination and managing risk.
- 4.34 The procurement strategy for appointment of a development partner will be developed based on lessons learnt from recent exercises on Fountainbridge and Meadowbank.

### **The Management Case**

- 4.35 A pre-development programme for phase 1 and a master programme for delivery of phases 1-4 have been developed based on the recommended delivery strategy.
- 4.36 The pre-development period is assumed to run from October 2021 to May 2024 with enabling works and construction for phase 1 starting thereafter.
- 4.37 The critical path for the pre-development period includes appointment of a development partner, development of the district heating business case, securing grant funding, obtaining detailed planning consent and assembling land. These are listed in the table below:

### **Pre-Development Milestones**

Programme milestone	Date
Completion of district heating network OBC	April 2022
Procurement of development partner	May 2022
Full business case approved following pre-development period (including district heating network)	June 2023
Planning application submitted	June 2023
Development agreement award	June 2023
Land assembly complete (phase one)	Jan 2024

Planning consent secured	May 2024
Enabling infrastructure contract award	May 2024
District heating contract award	May 2024
Start on site – first residential block	April 2025

- 4.38 A risk management strategy has been developed to promote clear ownership across the programme team.
- 4.39 Strong programme governance and programme management arrangements are in place and set out in detail within appendix 1 Fig 5 and Fig 6 within section 6.
- 4.40 A benefits realisation strategy has been developed to create a framework for monitoring and evaluating benefits as each phase is delivered.
- 4.41 A stakeholder management and communication plan has been developed to ensure that the regeneration programme meets the needs and expectations of the community and key stakeholders.

### Stage 3

- 4.42 Stage 1, Programme Delivery Plan (PDP) approved in February 2020 recommended a staged delivery approach to the programme.
- 4.43 Stage 2 activities agreed within the PDP have been completed as part of the process of developing this OBC.
- 4.44 The OBC recommends that the project proceeds to stage 3, development of an FBC for phase 1 'Heart of Granton' of regeneration as set out below:

Programme milestone	Date
Completion of district heating network OBC	April 2022
Procurement of development partner	May 2022
Full business case approved following pre-development period (including district heating network)	June 2023

- 4.45 This will maintain progress on delivery of the regeneration programme by bringing in development partner skills and expertise, developing a case for a low carbon energy solution, progressing designs, achieving further cost certainty to reduce optimism bias and creating a deliverable phase 1 that aims to secure a package of government grant funding to close any remaining viability gap.

## 5. Next Steps

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- 5.1 Undertake stage 3 activities as recommended in the OBC and as outlined in paragraph 4.44 of this report and below:
- 5.1.1 Appointment of a technical team of consultants to undertake a District Heating OBC. This will progress designs, refine financial modelling and conclude on a commercial route to secure an energy Partner;
- 5.1.2 Commence the development of a procurement strategy in order to secure development partner in conjunction with Commercial and Procurement

Services. This will be informed by recent strategies that have been undertaken on Fountainbridge and Meadowbank;

5.1.3 Through a 12-month pre-development period with an appointed development partner, progression of designs and further commercial options are to be explored and funding secured to enable a viable and deliverable phase 1 'Heart of Granton'; and

5.1.4 Completion of FBC for district heating solution which will include seeking a delivery partner to enter into commercial arrangements to deliver a low carbon heat network.

5.2 Progress delivery of early action projects and action plans for culture, learning and work to enable delivery of key outcomes as outlined in Appendix 2.

## **6. Financial impact**

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### **Outline Business Case**

6.1 Detailed analysis of costs and funding reveal a significant funding gap for the Granton Waterfront programme of £381.2m. This is a prudent estimate incorporating optimism bias. Sensitivity testing has shown that improved market conditions could reduce the gap. However, there is also a risk that the gap could increase if market conditions deteriorate or other risks materialise. Based on the extent of the shortfall, it is difficult to fund the entire programme from the outset. A phased approach to delivery will help to break this down into more achievable targets.

6.2 A funding strategy has been devised setting out potential sources of external funding to address the shortfall in the first phase – 'Heart of Granton'. Should the Council be successful in securing the £70.1m required to close the funding gap, phase 1 could proceed and further detailed work could commence to obtain funding for the remaining three phases.

### **Stage 3**

6.3 Stage 3 costs are estimated at £4.6m. As the HRA is a key stakeholder and landowner at Granton, these costs will be funded from the HRA revenue budget. An element of the cost represents front funding from the HRA and, with the HRA acting as an enabler, will allow the development of a proposed phased delivery of regeneration and new social and other affordable homes to progress. A key outcome of stage 3 is securing a funding and financing package to ensure a first phase of regeneration is viable and deliverable. Securing this will allow the HRA to benefit from front funding through the realisation of capital land receipts and government grant funding over the period of the approved project.

6.4 Gateways are built into the stage 3 process to ensure that the viability and deliverability of a first phase of regeneration is tested at key points in the development process. This will ensure that progress to achieve the key outcomes is monitored at key intervals whilst minimising the risk of abortive costs being incurred.

- 6.5 Following the completion of stage 3, a further report will be brought to committee seeking approval of the FBC and the authority to enter into the delivery element of Phase 1. It is anticipated at this stage that this is likely to be a development agreement following a pre-development period.
- 6.6 Funding to deliver the early action projects outlined within this report are contained within the current HRA and General Fund Capital Programmes.

## **7. Stakeholder/Community Impact**

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- 7.1 The OBC builds on and strengthens the vision and key principles outlined within the Granton Waterfront Development Framework which was produced collaboratively with partners, community and key stakeholders.
- 7.2 Extensive consultation has been undertaken over the last 12 months on developing and delivering early action projects which align with the aspirations of the development framework to create from the start, a new vibrant, healthy and sustainable coastal town on Edinburgh's waterfront.
- 7.3 As part of stage 2, a stakeholder management and communication plan has been developed to ensure that the regeneration programme meets the needs and expectations of the community and key stakeholders. The stakeholder engagement process will run continuously throughout the life of the programme.
- 7.4 As part of the procurement process for stage 3, consideration would be given to the scope to deliver community benefits.
- 7.5 Early action projects will deliver around 323 homes for social rent for those in most pressing need; including homeless households as well as housing for affordable mid rent and market rent. All flats would have lift access, while up to 55 homes would be fully wheelchair accessible. There are also 132 homes for mid-market rent, helping people who struggle with housing costs but are unlikely to be prioritised for social housing.
- 7.6 All homes have been designed to meet silver energy standards (all aspects).

## **8. Background reading/external references**

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- 8.1 [2030 Climate Strategy](#) – Draft for Consultation, 2021

## **9. Appendices**

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- 9.1 Appendix 1: Granton Waterfront OBC
- 9.2 Appendix 2: Early Action Projects

September  
2021



**Granton  
Waterfront**  
Outline Business Case

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# 1. Introduction

## Project background and description

- 1.1. Granton Waterfront is a 150-hectare site on the Firth of Forth in the northwest of Edinburgh, Scotland. Historically dominated by the former Granton Gasworks, the site now comprises a mix of vacant brownfield land, ageing industrial estates and derelict historic structures, along with pockets of residential use and green space.
- 1.2. The Granton Waterfront sits within a cluster of neighbourhoods that have historically suffered from relatively high levels of deprivation: Drylaw, Muirhouse, Pennywell, Pilton, Royston Mains and Wardieburn (referred to collectively as “North Edinburgh”).
- 1.3. Granton Waterfront is one of seven strategic sites prioritised for delivery as part of the Edinburgh and South East Scotland City Region Deal.
- 1.4. The manufacture of gas ceased in Granton in the late-1980s and all remaining activity at the Gasworks ended by 2001; the bulk of the former buildings have now been removed, with a small number of exceptions, most notably the 48m high Gas Holder No. 1 (“the Gas Holder”). Gradual redevelopment of the Gasworks and the wider Granton Waterfront commenced in phases in the 1990s, only to stall upon the onset of the global financial crisis in 2007. Subsequently, there has only been fragmented and piecemeal development, with the bulk of the land judged unviable to development due to a combination of low end use values linked to the deprivation of the area and high abnormal costs due to a combination of extensive contamination, steep topography, infrastructure gaps and poor ground conditions including substantial made ground.
- 1.5. The City of Edinburgh Council has for many years held land in Granton Waterfront, and in early 2018 it acquired significant additional land from Waterfront Edinburgh, a Council-arm’s length company that had incurred significant financial pressures due to the impacts of the financial crisis on the development industry. In March 2018, the Council purchased the site of the former Granton Gasworks (including the Gas Holder) from National Grid Property to facilitate a public sector-led regeneration of the area. As a result, the Council now owns approximately 50 hectares of development land in Granton Waterfront.
- 1.6. In 2018, the Council formed a strategic partnership with five other organisations – Edinburgh College, National Galleries of Scotland, National Museums Scotland, the Scottish Futures Trust and the Scottish Government – to accelerate the regeneration of Granton Waterfront. The six organisations are collectively referred to as the “Strategic Partners”.
- 1.7. In February 2020, the Council agreed a Development Framework setting out the vision, strategy, and high-level design principles for the regeneration of the Granton Waterfront. The Council also agreed a Programme Delivery Plan setting out the high-level route to delivery.

- 1.8. The Granton Waterfront regeneration programme is proposed to create a new residential-led mixed-use community, home to around 8,000 people on Edinburgh’s waterfront. It will deliver around 3,500 net zero carbon homes (of which at least 35% – 1,225 – will be affordable), a primary school, a health centre, commercial and cultural space and a new coastal park. These new uses will be supported by new cycling and walking routes and enhanced public transport connections. The revitalisation of Granton Waterfront’s historic buildings and the delivery of new leisure and recreation opportunities will attract significantly increased visitors to the area. Partner organisations to the Council will deliver substantial new cultural and educational assets in the Granton Waterfront over the regeneration timeframe. The overall development will make a significant contribution to Edinburgh’s target to become a net zero carbon city by 2030 through a mix of energy efficient buildings, renewable energy solutions, sustainable travel options and a nature-based approach to climate mitigation and adaptation.
- 1.9. In mid-2020, the Council commenced work on an Outline Business Case (OBC) for a Council-led strategic regeneration of Granton Waterfront. In advance of the OBC, a programme of early action projects with standalone business cases have been initiated: the delivery of around 700 net zero carbon homes, the refurbishment of the former Granton Gasworks railway station (“Granton Station”) and a disused former warehouse (“West Shore Studios”) as creative enterprise hubs, and the illumination of the Gas Holder.

### Scope of Outline Business Case

- 1.10. The area as outlined within the red boundary below forms the scope of this OBC.



- 1.11. The OBC has been developed in accordance with HM Treasury Green Book guidance. It builds on the existing Programme Delivery Plan (PDP). The elements of the OBC are summarised below:

- A Strategic Case demonstrating the strategic fit of the Granton Waterfront project with local and national policy objectives;
- An Economic Case that demonstrates that the preferred option for delivering the regeneration of Granton Waterfront represents best value, including an economic impact assessment of the shortlisted options;
- A Financial Case demonstrating that whilst the overall regeneration of Granton is currently unviable, adopting a phased approach underpinned with a funding strategy for delivering phase 1 will help create more cost certainty, reduce the funding gap and create a place premium that will help fund future phases. The financial model has been updated based on a revised cost plan. Revisions to the cost plan have been informed by additional studies including transport and energy masterplans, a decontamination strategy, and an early-action housing delivery plan;
- A Commercial Case demonstrating that a phased approach to the delivery of Granton Waterfront is the most viable option in creating greater cost certainty whilst managing and sharing risk; and
- A Management Case demonstrating that the Council has the resources and experience to successfully deliver the regeneration of Granton Waterfront, ensuring targets in terms of cost, time and quality are achieved.



# Strategic Case

## 2.Strategic Case

### Chapter summary

- **The public sector-led regeneration of Granton Waterfront will play a key role in meeting the demand of a growing city: delivering new homes (including affordable provision) and workspaces to meet contemporary social and economic needs within a community centred on sustainability.**
- **The Granton Waterfront regeneration programme supports the delivery of the Council Business Plan, the City Mobility Plan and the emerging City Plan. It will also support the delivery of key national policy objectives including the Economic Strategy for Scotland, the Housing to 2040 vision and the goal of making Scotland carbon neutral by 2045.**
- **Granton Waterfront sits within an area of persistent multiple deprivation with considerable socioeconomic challenges. The regeneration programme will help to address these**
- **Environmental constraints exist that make regenerating the area challenging in terms of adding greater cost, complexity and risk to construction.**
- **Four strategic goals and eight strategic objectives for the regeneration of Granton Waterfront have been set.**
- **The strategic benefits of regenerating Granton Waterfront have been summarised along with the main risks and dependencies affecting the programme.**

### Introduction

- 2.1. The Strategic Case sets out the strategic rationale for investment in Granton Waterfront: how the regeneration programme will help Edinburgh and Scotland achieve key policies.

### Background

- 2.2. Edinburgh is a growing city, with annualised population growth of around 1% - representing over 5,000 new residents each year. This, coupled with household changes, drives demand for new homes, along with workspaces, retail/leisure destinations, and social infrastructure such as schools, libraries, nurseries and health centres. There is particular demand for affordable housing, with the popularity of

Edinburgh as a place to live resulting in lower-income households being priced out of the market.

- 2.3. As with most cities in developed countries, Edinburgh's economy has experienced a shift in recent decades away from primary industries and manufacturing towards the service sector, with longstanding sources of employment such as financial services augmented by the growth of industries such as tourism and technology. This structural change in the jobs market requires new workspaces, with ageing factories and low density uses such as warehouses and depots giving way to new uses.
- 2.4. Sustainability is of growing importance with Edinburgh having set the ambitious target of becoming a net zero carbon city by 2030, ahead of the Scotland wide target of doing so by 2045. This requires a huge range of interventions, including making homes and workplaces more sustainable, promoting a shift away from travel by car towards walking, cycling and public transport, and increasing green infrastructure such as trees and natural flood defences.
- 2.5. The public sector-led regeneration of Granton Waterfront will play a key role in responding to the above dynamics: delivering new homes and workspaces to meet contemporary social and economic needs within a community centred on sustainability.

### Strategic context

- 2.6. The regeneration of Granton Waterfront can make a significant contribution to the delivery of multiple policies for Edinburgh.
- 2.7. The Council's Business Plan sets out the three top priorities for the Council: ending poverty and preventing adverse outcomes such as homelessness and unemployment, becoming a net zero city, and ensuring wellbeing and equalities are enhanced for all. The Granton Waterfront regeneration programme has the potential to help meet each of these priorities:
  - *Ending poverty and preventing adverse outcomes such as homelessness and unemployment:* The Council has set ambitious goals of delivering at least 20,000 new affordable homes (alongside registered social landlord partners) in Edinburgh by 2027 and eliminating poverty in Edinburgh by 2030. Granton Waterfront will deliver at least 1,225 new affordable homes, both reducing poverty and reduce homelessness.<sup>1</sup> Granton Waterfront will deliver thousands of new construction and end-use jobs, creating employment opportunities for people who are unemployed or underemployed, while new affordable workspaces will help people start their own businesses. Educational outcomes will be enhanced via new learning and upskilling opportunities, enabling people to enhance their employment prospects.

<sup>1</sup> This will in turn contribute to the Scottish Government's Housing to 2040 vision, which sets an overarching objective of delivering more homes across all tenures which are sustainable and built to the long-term needs of residents.

- *Becoming a net zero city:* The Council’s ambition is to achieve net zero carbon by 2030.<sup>2</sup> A comprehensive regeneration such as Granton Waterfront is an excellent opportunity to deliver a model community centred on sustainability. A suite of measures such as energy efficient well-insulated homes, renewable energy solutions, natural flood defences, new and enhanced green spaces, improved public transport, minimal car ownership (with prioritisation of electric vehicles), new foot and cycle paths, innovative waste management strategies, and local food production will contribute to the net zero carbon goal.
  - *Ensuring wellbeing and equalities are enhanced for all:* The Granton Waterfront will give residents easy access to services via new facilities such as a health centre, a nursery, and leisure amenities such as a new coastal park.<sup>3</sup> Residents and community councils will shape the regeneration, ensuring it meets the diverse needs of the community.
- 2.8. Additionally, Granton Waterfront will help deliver other local policies, such as a focus on delivering high-density housing on brownfield land ,as articulated in the Council’s Choices for City Plan document and a prioritisation of active travel and bus/tram-based mass rapid transit, as set out in the City Mobility Plan for Edinburgh.
- 2.9. The regeneration of Granton Waterfront will also contribute to the delivery of relevant national policies. The Economic Strategy for Scotland sets out the four key priorities for Scotland’s economy of investment, innovation, inclusive growth and international outlook, while the Economic Recovery Implementation Plan emphasises a “jobs-led” recovery from the economic shock of COVID-19. Granton Waterfront will create the conditions and opportunities for massive-scale public and private investment in Scotland. Construction expenditure and the delivery of new workspaces and public sector facilities will bring employment to a historically deprived area, which in turn will support employment via indirect and induced multiplier effects.
- 2.10. The delivery of low carbon energy solutions will create jobs in the emerging green-sector. A revitalised Edinburgh College campus and modern affordable workspaces aimed at early-stage businesses in high-growth sectors such as technology and the creative industries will nurture entrepreneurialism and innovation. The creation of new parkland and leisure facilities along with the restoration of historic buildings will drive visitor inflows, while the uplifting of Granton Waterfront will make it an attractive place for international investment, tourism, and migration.
- 2.11. The vision, principles and Development Framework for Granton Waterfront established guidelines to ensure future development also align with the Scottish Government’s Place Principles and ‘20-minute neighbourhood’ concept. By creating a place that meets everyday needs, numerous benefits will be realised, including a stronger local economy, enhanced health and wellbeing, improved connectivity and increased resilience through tackling climate change.

<sup>2</sup> This will in turn contribute to the Scottish Government’s goal of making Scotland carbon neutral by 2045.

<sup>3</sup> This supports the “20-Minute Neighborhood” principle, which entails residents being able to access key day-to-day services within a 20-minute journey of their homes

- 2.12. Granton Waterfront therefore has the potential to make a significant contribution to key local and national policy objectives. The contribution of Granton Waterfront to these objectives will be assessed over the period of the programme and beyond (more information on how the programme will be monitored is set out in the Management Case of the OBC).

## Key issues and constraints

### Socioeconomic issues

- 2.13. Granton Waterfront sits within an area of persistent multiple deprivation with considerable socioeconomic challenges. A baseline review carried out in support of the OBC has highlighted the below issues:
- *Deprivation:* multiple data-zones with Granton Waterfront and the surrounding neighbourhoods are classified in the lower (i.e. more deprived) deciles of the 2020 Scottish Index of Multiple Deprivation (SIMD), with multiple falling in the bottom 5% and 10% nationally. This highlights the mix of challenges facing the area.
  - *Education and opportunity:* 23% of the population of Granton Waterfront and the surrounding neighbourhoods have no qualifications compared with the overall Edinburgh average of 17%. This weakens the employment and earning prospects of residents.
  - *Crime and neighbourhood:* Parts of Granton Waterfront and the surrounding neighbourhoods have twice the crime rate of Edinburgh as a whole. The area has persistent issues with vandalism, arson and antisocial behaviour.
  - *Earnings and household income:* The average household income in Granton Waterfront and the surrounding neighbourhoods was 42% below the city average.
  - *Health:* Across several measures, Granton Waterfront and the surrounding neighbourhoods have consistently achieved below average health outcomes. There are persistent issues with substance abuse.
  - *Housing stock:* 74% of the current housing stock in Granton Waterfront and the surrounding neighbourhoods sits within the lowest three Council Tax bands. The housing stock includes multi-storey flats, pre and post war tenements and low-rise housing in Council, Registered Social Landlord and private ownership with significant investment required to repair and improve homes.
  - *Poverty and inequality:* The Forth ward, which Granton Waterfront and the surrounding neighbourhoods partly fall within, has the highest relative rate of poverty and the highest income inequality of any ward in Edinburgh.
  - *Industrial mix:* Granton Waterfront and the surrounding areas have high concentrations of employment in traditional sectors that are in long-term decline and low concentrations of employment in growth sectors. For example, 27% of people employed in the Granton and Royston Mains intermediate zone work in manufacturing (compared to 2% for Edinburgh overall), while 44% of people



employed in the Granton West and Salvesen intermediate zone work in the electricity, gas, steam and air conditioning supply sector (compared to 1% for Edinburgh overall).

### Environmental constraints

2.14. As set out above, the regeneration of Granton Waterfront has hitherto been characterised by piecemeal development and a slow build out rate. Among the factors driving this slow pace of development are the myriad of practical environmental constraints that add great cost, complexity, and risk to construction. These key issues are summarised below:

- *Contamination*: Site investigations have identified multiple contaminated areas characterised by coal, tar, blue billy<sup>4</sup>, and hydrocarbons. These issues are exacerbated by the steep topography and large areas of made ground.
- *Flood risk and coastal erosion*: The vulnerability of the area to coastal flooding has been identified through technical studies as a significant risk. Furthermore, studies have concluded that there is a high risk of coastal erosion.
- *Infrastructure*: The existing infrastructure provision throughout Granton Waterfront is inadequate with particularly weak north-south permeability.
- *Place*: Granton Waterfront is characterised by pockets of housing, vacant/derelict land, and residual industrial uses which results in an uneasy mix of neighbouring uses creating issues such as noise, pollution, antisocial behaviour, and an overall weak sense of place and limited aesthetic appeal.
- *Heritage*: Granton Waterfront has a rich history and heritage with many historic listed buildings and structures currently in poor condition. There are substantial costs associated with bringing them back into good condition.

## Strategic goals and objectives

### Strategic goals

2.15. Based on the strategic context, the key issues and constraints, and the principles set out in the Development Framework, four strategic goals for the regeneration of Granton Waterfront have been set:

- Create a new blueprint for net zero carbon development that supports sustainable living in the context of a changing climate;
- Be a driver of sustainable, inclusive economic growth, job creation, prosperity and resilience for local communities and the wider city region;
- Create a vibrant, well connected and welcoming coastal community with a strong sense of identity as a place that is inclusive, attractive and accessible to all; and

<sup>4</sup> Blue billy is a contaminant containing high levels of cyanide deriving from past industrial processes.

- Accelerate the delivery of development on brownfield sites to meet Edinburgh and the City Region’s housing need.

### Strategic objectives

- 2.16. Based on the four strategic goals, eight strategic objectives for the regeneration of Granton Waterfront have been set. These objectives – and how they are proposed to be delivered – are set out below.

#### **Objective one – net zero: “Deliver an integrated low carbon and climate resilient community centred on net zero carbon homes, active travel, and mass rapid transit.”**

- 2.17. As set out above, there are a range of interventions that will contribute to the delivery of this strategic objective. These include the design and construction methods for the new homes and workspaces, the green infrastructure, and the transport and active travel infrastructure, coupled with measures to disincentivise private car ownership.
- 2.18. An energy study for the Granton Waterfront was carried out in which a range of low carbon energy technologies was evaluated and the ability to support low carbon benefits and lifecycle costs assessed. The study concluded that the best solution would be a site-wide district heating network energy solution which harnessed heat from the sea and sewers. This would meet the heat demand of Granton Waterfront from entirely renewable sources. This could be supplemented by on-site micro-renewables generating both heat and electricity for Granton Waterfront.
- 2.19. In terms of climate resilience, the main risk identified for Granton Waterfront is from coastal flooding, with coastal protection required for any development proximate to the coastline. A technical analysis concluded that the preferred mitigation against coastal flooding was nature-based coastal protection using the existing landscape, integrated into a new coastal park.

#### **Objective two – connectivity and travel choices: “Create a coastal town that connects communities through well-designed new streets and paths, a prioritised active travel network, and strong public transport links.”**

- 2.20. Analysis was undertaken of existing transport problems facing Granton Waterfront and potential interventions to resolve these were identified and evaluated against criteria aligned to the objective and compliant with Scottish Transport Appraisal Guidance (STAG). This exercise produced a set of recommendations for interventions to support improved connectivity and more sustainable travel choices, including:
- An expanded and joined-up active travel network;
  - A 75% car free development;

- Enhanced public transport linkages;<sup>5</sup> and
- Two new transport hubs.

**Objective three – economic and inclusive growth: “Create high value jobs in key economic sectors and support learning and upskilling opportunities to ensure the economic benefits of the development are shared equitably.”**

- 2.21. New commercial space will be aligned with major developments planned for the area such as “The Art Works” (a facility being developed by National Galleries of Scotland for the curation of Scotland’s art collection) to create opportunities for collaboration between the public and private sector.
- 2.22. The delivery of around 3,500 homes along with commercial space and infrastructure will support construction jobs along with skills development via apprenticeships. Delivery of low carbon energy solutions will create jobs in the emerging green sector.
- 2.23. The provision of a primary school and health centre will bring additional public sector jobs to the area.
- 2.24. Additional learning infrastructure will be created ranging from a new nursery to an enhanced Edinburgh College campus.

**Objective four – quality and affordable homes: “Granton Waterfront will be a sustainable community that will stand the test of time by delivering high quality net zero homes across a range of tenures that are affordable to live in and manage.”**

- 2.25. A variety of different homes both in size and typology will be delivered across a mixed ‘tenure blind’ community. The Development Framework identifies different “character areas” throughout Granton Waterfront; these have been designated to capitalise on the various features of the area, creating a range of housing and placemaking opportunities. Early Action housing projects at Western Villages, Silverlea and Demonstrator site at plot D1 are now well advanced and will contribute to the realisation of both the Council’s housing strategy and the Development Framework, with over 650 homes moving into construction phase. Development of new homes and neighbourhoods will take place alongside investment in neighbouring estates as part of the Council’s strategy to improve the quality of existing homes and estates and connect communities.

<sup>5</sup> The analysis also strongly validated the importance of the extension of mass rapid transport to Granton Waterfront (albeit this is out-with the remit of this business case).

**Objective five – empowering communities: “Create a revitalised and sustainable local community where people can live, work, move, play and thrive.”**

- 2.26. A wide range of actions around enterprise, health, learning etc, will contribute to this objective. The primary school, health centre, commercial, workspace and other new facilities being delivered in the area will contribute to embedding the 20-minute neighbourhood principle in Granton Waterfront.

**Objective six – enterprise and workplaces: “Increase entrepreneurial and social innovation capacity in the area and deliver a mix of modern workspaces at Granton Waterfront that will support new and growing enterprises.”**

- 2.27. The creation of new modern, flexible, affordable workspaces aimed at early-stage businesses will encourage entrepreneurialism and inward investment in Granton Waterfront, with a focus on high growth sectors such as technology.

**Objective seven – public realm and open space: “Create outstanding and welcoming streets and open spaces in Granton Waterfront that incorporate nature, enhance biodiversity and provide access to natural and urban coastal activities that will attract visitors from the city and beyond as well as supporting health and wellbeing locally.”**

- 2.28. The Development Framework for Granton Waterfront sets out a range of interventions to enhance the landscape and open space and to capitalise on the coastline. A suite of site-specific interventions is identified, the most significant of which is the creation of a new Coastal Park that will connect to create one of the largest green spaces of its kind in Europe stretching from Granton Harbour to Cramond and Lauriston Castle, delivering recreational and biodiversity benefits.

**Objective eight – built heritage: “Restore and preserve existing heritage assets and work with local community and cultural organisations and residents to create a dynamic cultural environment at Granton Waterfront.”**

- 2.29. Granton Waterfront possesses rich built heritage but much of this is in poor condition. A culture strategy developed in collaboration with the Strategic Partners identified interventions required to enhance key heritage assets such as the Gas Holder, Granton Station and the former Madelvic Car Factory. Implementation of the strategy has already begun with work to restore the ‘B’ listed Granton Station as an enterprise hub, with project funding secured and a principal contractor appointed.

## Benefits, risks and dependencies

### Benefits

- 2.30. In line with HM Treasury Green Book guidance, the strategic benefits to be delivered by the programme have been identified (further information on how benefits will be measured and monitored is set out in the Management Case). The benefits are summarised below:

**Table 1: Summarised benefits**

Strategic objective	Output	Benefit
Objective one: net zero	Reduced operational costs for homes via better energy efficiency	Household savings of £12m over a 30-year period helping to reduce fuel poverty
	Planting of circa 1,500 new trees	Carbon sequestration of over 2,000 tonnes over a 50-year period
	Natural-based flood defences	£1.6m (net present value) in savings over a 50-year period
	Over 100,000 sqm of enhanced high-quality green space	Biodiversity and wellbeing
Objective two: connectivity and travel choices	Provision of new bus services to key locations and rerouting of existing services to the Development Framework area	Better accessibility to-and-from Granton Waterfront; improved journey times
	Environmental benefits associated with improved public transport and around 5km of new active travel infrastructure	Reduced emissions supporting better air quality and transition to net zero carbon
	Two new transport hubs providing multiple transport choice for users in one location	Reinforced connectivity-related benefits via providing all transport modes in same location
Objective three: economic and inclusive growth	Jobs generated through the construction of around 3,500 homes	2,700 construction person-years of employment (Edinburgh level)

Strategic objective	Output	Benefit
	Economic productivity increased over construction period	£162m of additional gross value added (GVA) at an Edinburgh level
	Permanent jobs created via occupation of commercial space	Additional 5,800 full time equivalent (FTE) jobs over a 40-year period (Edinburgh level)
	Over 700,000 visitors per annum to Granton Waterfront by the end of the delivery phase (year 15)	From year 15 onwards to year 40, an additional 5,900 FTE jobs and £67m GVA (Edinburgh level)
	Economic activity supported by additional Council Tax revenue	Additional 600 FTE jobs and £19m GVA over a 40-year period (Edinburgh level)
	Additional household spending through population growth in Granton Waterfront	Additional 4,200 FTE jobs and £54m of GVA over a 40-year period (Edinburgh level)
Objective four: quality and affordable homes	Over 1,200 affordable homes to be delivered	Unmet housing demand is addressed
	Around 3,500 new homes delivered to net zero carbon standards	Supporting transition to net zero carbon and delivering households out of fuel poverty through better energy efficient homes
	Health and wellbeing benefits supported by more resilient homes	Tenant satisfaction surveys score high satisfaction rates
Objective five: empowering communities	20-minute neighbourhood principles achieved through joined up services and access to leisure and cultural amenities	Placemaking benefit that will make Granton Waterfront more attractive and accessible
Objective six: enterprise and workplaces	Around 10,000 sqm of new commercial space provided across the framework	£176m of additional GVA over a 40-year period (Edinburgh level)
	11,000 sqm of new learning space	New primary school

Strategic objective	Output	Benefit
Objective seven: public realm and open space	60 ha of land remediated to unlock housing growth	Housing and other uses supported on land previously vacant and derelict
	Over 10 hectares of new coastal park	Mental and physical wellbeing improved
	New linkages to create what will become 17km of new promenade	Benefit to recreation and active enjoyment of the coastal location
	Granton Station building upgrades and new public square	Placemaking benefit that will make Granton Waterfront more attractive and accessible; preservation and re-use of historic building
Objective eight: built heritage	Reduction in long-term running and maintenance costs of heritage assets	Long term capital expenditure budgets can be directed to other projects
	Strategic Partner projects will deliver strong cultural led benefits	Up to 50,000 visitors per year

## Risks

2.31. The greatest risks to the programme at this stage are summarised below:

**Table 2: Greatest Risks**

Risk description	Score
A large funding gap exists that threatens the viability of this programme	25
Government grant funding is not secured to allow the programme to progress	20
Low carbon goals on the project are not achieved either through design or construction	20
Industry capacity to deliver regeneration is limited due to shortage of materials, skilled workforce, new technologies	20

2.32. The programme risks are quantified in the Financial Case, considered how to be allocated in the Commercial Case, and managed in the Management Case.

## Dependencies

2.33. As with all complex projects, the Granton Waterfront regeneration programme has areas of dependency where decisions are made outside the scope of the project. It is vital to manage these dependencies to protect the programme, particularly where transitioning from development phase to delivery phase in a timely manner is concerned. Dependencies will be managed through the framework set out in the Management Case.



**Table 3: Dependencies**

Affected activity	Dependency
Enabling works	The outputs of the energy strategy workstream will have a direct bearing on the planning, design and delivery of enabling works
Land requirements	The land to be acquired from third parties may impact upon timing of delivery if it cannot be secured in line with the programme
Social infrastructure	Public sector partners and their respective requirements and funding sources and timing may directly impact on the delivery plan for Granton Waterfront
Interaction with tram strategic business case	Multiple planning, construction and operational dependencies which will need to be managed
Coordinated place	The activities led by the Strategic Partners will be a material influence on the success of the project

## Conclusion

- 2.34. The regeneration of Granton Waterfront will help to address the existing challenges facing the area and make a substantial contribution to key local and national policy objectives.
- 2.35. The Granton Waterfront regeneration programme is fully consistent with, and supports the delivery of key local and national strategic objectives that will shape the future development of Edinburgh and the wider region, including:
- The City of Edinburgh Council Business Plan;
  - Choices for City Plan;
  - City Mobility Plan;
  - The Economic Strategy for Scotland;
  - Housing to 2040 vision; and
  - The goal of making Scotland carbon neutral by 2045.



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## Economic Case

## 3. Economic Case

### Chapter summary

- The economic appraisal of the Granton Waterfront regeneration programme has tested a number of delivery options to assess which represents best value for money.
- Critical success factors for the regeneration programme have been identified. Each delivery option has been assessed against these, allowing a long list to be discounted to a short list of three categorised under “do minimum”, “partial investment” and “full investment”.
- A cost benefit analysis and economic impact assessment in line with HM Treasury Green Book guidance has been carried out on the shortlisted options at an Edinburgh, Edinburgh City Region and Scotland level.
- The economic impact assessment is based on considering the impacts made by both the construction phase and the operating phase, combined for a 40-year period. At each area level, the “full investment” option returns the greatest economic impact.
- The “full investment” option delivers the strongest benefit-cost ratio (BCR): 1.3 at an Edinburgh level. When the BCR is weighted to reflect deprivation in Granton Waterfront, this rises to 2.9.
- The programme has a positive economic case, delivering £1.30 of benefit for each £1 of public sector investment.
- The “full investment” option will also generate significant wider non-monetised benefits such as reduction of carbon emissions, reduction in fuel poverty and an increase in health and well-being benefits. Therefore, in practice, the BCR will be comfortably above stated monetised levels.
- Overall, it is considered that the ‘full investment’ approach to the regeneration of Granton Waterfront represents best value for money for the public sector whilst best achieving the strategic objectives set out within the strategic case.

### Introduction

- 3.1. The Economic Case sets out the rationale for the Granton Waterfront regeneration programme in terms of value for money by testing options which present alternative ways of delivering the project objectives (within the defined parameters of the Development Framework) to assess which represents best value. To strengthen this process, it has been assessed to what extent each option achieves “critical success factors” defined for the project, with a cost-benefit analysis being carried out on the shortlisted options.

- 3.2. Supporting the economic appraisal is an economic impact assessment based on HM Treasury Green Book guidance and additionality guidance. The gross and net economic impacts of the proposed project are calculated by considering the likely direct, indirect and induced impacts of the development, factoring in multipliers and displacement.

### Economic rationale for intervention

- 3.3. Granton Waterfront is characterised by piecemeal development and an incoherent sense of place. Redevelopment of the land has been slow and in recent years has largely stalled, principally due to constraints such as contamination, long ground leases, derelict historic buildings and structures, and complex infrastructure requirements. This market failure indicates a need for public sector intervention to bring forward development.

### Appraisal of long-listed options

- 3.4. Nine different options for taking forward the redevelopment of Granton Waterfront have been identified. These options represent scenarios in which different approaches to progressing the development are taken, ranging from a reactive *laissez-faire* approach to a public sector-led approach. Each option represents a separate and distinct delivery approach that could be adopted to regenerate Granton Waterfront. A shortlist was then produced by assessing to what degree each of the options would meet with the “critical success factors” for the programme. The critical success factors are the attributes that are essential for the programme to be delivered successfully; they are distinct from the project goals, projects objectives, and benefits. The four critical success factors for the Granton Waterfront programme are:
- *Implementation and timing (the timescale/phasing associated with the option):* Options that delivered the programme in a timeous and strategic manner were appraised higher, whereas options that delivered the programme in a more incremental/fragmented way were appraised lower. This reflects the desire to deliver the regeneration in a comprehensive, holistic way rather than the fragmented approach that has hitherto been the case.
  - *Delivery capabilities (the extent to which the option brings the appropriate capabilities to bear on the project):* Options that marshalled private resource capabilities were appraised higher, whereas options that relied on the capabilities of the public sector were appraised lower. This reflects the desire to exploit the commercial expertise of the private sector and share the risks of the programme.
  - *Affordability (to what extent the option can realistically be funded):* Options that were judged to be fundable were appraised higher, whereas option that were regarded as having a funding gap were appraised lower, reflecting the requirement for the programme to be financially viable.
  - *Strategic fit/scope (how well the option aligns to the strategic goals and wider strategic context for the programme):* Options that aligned more closely to these were appraised higher, where options that had a looser aligned were appraised lower. This reflects the desire to deliver the strategic aims identified in the Strategic Case.

3.5. The table below summarises the nine longlisted options and their performance against each of the four critical success factors. A Red Amber Green status has been applied to denote each options performance with green representing good alignment, amber representing reasonable alignment and red representing poor alignment.

**Table 4: Nine Long Listed Options**

Options	Implementation & timing	Delivery capabilities	Affordability	Strategic fit/scope
<b>Option 1 – Reactive market led approach to housing and other uses</b>	Reactive to market demand and timing unpredictable	Market led	Private Finance	Predominantly existing use with some contribution to housing
<b>Option 2 – Smaller scale public sector led approach to housing and place</b>	Plot-by-plot approach with longer time horizon to deliver strategic outcomes	Public sector led	Funding Deficit exists that needs to be dealt with on a plot by plot basis by public sector alone	Contribution to housing and wider placemaking
<b>Option 3 – Comprehensive public/private collaborative approach to deliver Development Framework</b>	Large scale comprehensively planned approach and delivered with momentum to secure strategic outcomes quicker	Public/private collaboration	Combination of public funding and private finance requirements	Strong alignment to the strategic goals of the project
<b>Option 4 – Enhanced asset management approach to existing estate</b>	Single strategy approach to seek an investor/partner to asset manage the existing assets as part of slower longer approach to regeneration	Market led	Private finance	Existing uses improved but weak correlation to strategic goals of the project
<b>Option 5 – Smaller scale public sector led approach with stronger weighting on commercial and retail uses</b>	Plot-by-plot approach with longer time horizon to deliver strategic outcomes	Public sector led	Funding deficit but potentially more opportunity for private finance due to weighting towards commercial uses	Contribution to housing and other uses as part of wider placemaking approach
<b>Option 6 – Comprehensive private sector led approach to deliver Development Framework</b>	Large scale comprehensively planned approach and delivered with momentum to secure strategic outcomes quicker	Market led	Large funding deficit expected to deter a market led approach	Strong alignment to the strategic goals of the project
<b>Option 7 – Opportunity led approach</b>	Passive approach to regeneration to wait for a large-scale opportunity to materialise which could be a catalyst for regeneration i.e. major land requirement for blue chip organisation	Market led	Private finance and some public funding anticipated	Impossible to predict at this stage

Options	Implementation & timing	Delivery capabilities	Affordability	Strategic fit/scope
<b>Option 8 – Affordable housing led approach</b>	Plot-by-plot approach with longer time horizon to deliver strategic outcomes	Public sector led	Public funding through established affordable housing grant	Affordable housing led approach would deliver to some scope requirement but would not give rise to balanced tenure community
<b>Option 9 – Comprehensive public Sector led approach to deliver Development Framework</b>	Large scale comprehensively planned approach and delivered with momentum to secure strategic outcomes quicker	Public sector led	Combination of public funding and finance requirements	Strong alignment to the strategic goals of the project

3.6. Based on the above long-list, three short-listed options have been identified based on their ability to align closest to the critical success factors outlined above. These are summarised below.

**“Do minimum” - (option 1 from longlisted options - reactive market led approach)**

3.7. The “do minimum” option makes the following assumptions:

- A modest number of housing plots identified in the latest Housing Land Audit would be developed out organically despite the Development Framework not being delivered. This would deliver approximately 200 homes.
- Some active travel measures would be implemented in Granton Waterfront.
- Energy solutions for any new housing would reflect minimum requirements.
- Public transport would continue to have limited penetration into the area; the business case for a tram extension to Granton Waterfront is weaker under this option.
- The commercial strategy for the area would focus on driving further value from existing assets, e.g. the refurbishment and reletting of the disused former warehouse at 20 West Shore Road, but with no new development.
- The existing green space across the Development Framework area would remain in its current state.
- A new primary school would not be required under this option.
- Heavily contaminated plots within the character areas identified as West Shore and Upper Granton would remain undevelopable.

- The Gas Holder and other historic buildings and structures would continue to attract significant maintenance costs to keep them safe and secure.

### “Partial investment” - (option 2 from longlisted options - smaller scale public sector led approach)

3.8. The “partial investment” option makes the following assumptions:

- Approximately 862 homes would be delivered in the Heart of Granton (670 units) and Harbour Road (192 units) character areas.
- The energy strategy would be focused on individual air source heat pumps rather than more comprehensive approaches such as district heating network, with lower upfront capital costs but higher lifecycle costs.
- No existing employment space would be displaced; current employers in the area would remain in place indefinitely.
- 2,000 m<sup>2</sup> of commercial floorspace would be delivered along Waterfront Broadway and via the refurbishment/modernisation of the former lighthouse building on West Harbour Road.
- A more extensive package of active travel interventions would be delivered.
- A new transport hub would be delivered in this option. The area would potentially benefit from a tram extension.
- A new primary school would be delivered.
- Coastal access would remain limited as at present.
- The Gas Holder and other historic buildings and structures would continue to attract significant maintenance costs to keep them safe and secure; no major restoration works would be carried out beyond those already scheduled.

### “Full investment” - option 3 from longlisted options - comprehensive public/private collaborative approach)

3.9. The “full investment” option makes the following assumptions:

- Around 2,864 homes would be delivered. A further 661 homes (a mixture of social housing, mid market rent, market rent and homes for sale) will be delivered through early action projects already committed to. Overall, a minimum of 35% of the total homes delivered will be affordable.
- 9,065 m<sup>2</sup> of new commercial floorspace, predominantly on the ground floor of residential blocks which would be suitable for a variety of uses including retail, hospitality, office etc and provide accommodation for small scale/start-up/incubator businesses.
- A new primary school and health centre would be delivered.
- A low carbon district heating network would be installed.

- Deliver a major new enhanced green space and coastal placemaking through a new coastal park and upgraded promenade whilst also strengthening coastal resilience from flooding.
- Two new transport hubs would be delivered along with an expansive active travel network and improved public transport penetration; the case for a tram extension to Granton Waterfront would be considerably strengthened.
- The Gas Holder and historic buildings and structures would be restored.

### Appraisal of short-listed options

3.10. The short-listed options were appraised via multi-criteria analysis and a traditional cost-benefit analysis in line with HM Treasury Green Book guidance. Costs are taken from the project cost plan, while benefits are taken from the programme benefits register. The timing of benefits and costs has been informed by the master programme. The benefits associated with each strategic objective are set out below.

**Table 5: Short Listed Options**

Objective	Benefits
Low carbon and resilient place	Energy efficient buildings, reduction in fuel poverty, contribution to local and national carbon reduction targets
Economic benefit and inclusive growth	Creation of new jobs, upskilling of people to more productive jobs, improve wealth creation from within the community to be reinvested into the community and support local business
Delivery of quality and affordable homes	Mix of well designed, energy efficient, quality homes to address housing need and demand on brownfield sites
Connectivity and travel choices	A range of transport interventions to support a change in how people move to, from and within Granton Waterfront with strong emphasis on place making
Quality public realm, open space and heritage	High quality active public spaces and optimal use of the natural environment to create better quality of life for residents and visitors
Joined up services	Innovative approaches to service delivery to create better access to these and provide excellent user experience
Enterprise and workplaces	Increase entrepreneurial activity and social innovation, delivery of a mix of modern workplaces that will support new and growing enterprises



3.11. The contribution made by the “do minimum”, “partial investment”, and “full investment” options to the benefits associated with each strategic objective is set out below, with the strategic objectives weighted to reflect their relative importance as assessed by the project team in conjunction with stakeholders.

**Table 6: Short Listed Options to Associated Benefits**

Scoring criteria	Weighting	Do minimum		Partial Investment		Full investment	
		Score	Weighted score	Score	Weighted score	Score	Weighted score
Low carbon and resilient place	100%	1	1	3	3	4	4
Economic benefit and inclusive growth	100%	2	2	3	3	5	5
Delivery of quality and affordable homes	100%	1	1	3	3	5	5
Connectivity and travel choices	100%	1	1	3	3	5	5
Quality public realm, open space and heritage	100%	1	1	3	3	5	5
Joined up services	70%	1	0.7	1	0.7	3	2.1
Enterprise and workplaces	70%	1	0.7	1	0.7	3	2.1
<b>Overall score</b>		<b>8</b>	<b>7.4</b>	<b>17</b>	<b>16.4</b>	<b>30</b>	<b>28.2</b>

- 3.12. The exercise identified a clear gap between the “full investment” option and the “do minimum” option which was a reasonably foreseeable outcome. The difference between the “full investment” option and the “partial investment” case was also sufficiently wide to suggest that the preferred option represented the most compelling case from a benefits appraisal perspective. The “partial investment” case did however provide some insight in support of the phased delivery of the “full investment” option by demonstrating a ‘base’ level of benefit which could be supported from what essentially comprised a single master phase of development i.e. Heart of Granton. By the same token, the disparity in score with the “full investment” option makes it very clear that a single phase in isolation would lack the long-term vision and coordination to drive the optimal benefits from the project.

### Economic impact assessment

- 3.13. To quantify the project data for inclusion into the cost-benefit analysis in a manner consistent with HM Treasury Green Book guidance, an economic impact assessment (EIA) of the three options was undertaken which built on the source data and applied Green Book compliant assumptions.
- 3.14. The EIA was carried out for two phases: the construction phase and the operating phase.
- 3.15. The construction phase impact of the total programme is the impact of the infrastructure spend plus the construction impacts of the build-out of land made available for residential, commercial and other development. This included a breakdown of all cost elements including enabling works, build costs for housing and commercial premises and transport improvement costs. Costs included ensuring development was net zero carbon through low carbon energy solutions. Sunk and committed costs associated with projects already underway have been excluded, as funding has already been identified for these early actions. These are Silverlea, Western Villages, Demonstrator site at plot D1 and the refurbishment of Granton Station. This is in line with the financial model produced for the financial case.
- 3.16. The costs provided were all at 2021 current prices. A maintenance cost of 1% of cumulative build cost was also applied on an annual basis. Optimism bias at 20% was applied to all construction costs to account for uncertainty and risks.

3.17. The construction costs for each of the options are outlined below:

**Table 7: Construction Costs**

<b>Granton Waterfront construction costs</b>			
<b>Cost element</b>	<b>Do minimum</b>	<b>Partial investment</b>	<b>Full investment</b>
Infrastructure and build costs	£60m	£216m	£721m
Optimism Bias	£12m	£43m	£144m
Maintenance costs	£22m	£70m	£226m
Land costs	£21m	£21m	£21m
<b>Total costs (public and private)</b>	<b>£115m</b>	<b>£350m</b>	<b>£1.1bn</b>
<b>Net present value over 40 years</b>	<b>£99m</b>	<b>£263m</b>	<b>£793m</b>
<i>Public sector costs</i>	<i>£115m</i>	<i>£151m</i>	<i>£600m</i>
<i>Value of land sales to private sector</i>	<i>£0m</i>	<i>£27m</i>	<i>£89m</i>
<i>Public sector costs minus land sales</i>	<i>£115m</i>	<i>£124m</i>	<i>£511m</i>
<i>Net present value of public sector costs</i>	<i>£99m</i>	<i>£113m</i>	<i>£380m</i>

3.18. The operating phase impact is based on four sources:

- The occupation of the commercial space and jobs arising from this.
- Additional spending in the local economy from new households moving into the area.
- Visitor spend generated by the new development. The development intends to create an attractive green space and park areas. There will also be heritage and cultural facilities highlighting the history of the area. The position of these features adjacent to the coastline and within the wider development will attract visitors. This is under the “full investment” option only.
- Council Tax revenues generated by the new households. This gross value added is calculated as the impact of services that the additional revenues will fund.

3.19. The number of projected jobs created across the construction and operating phases have been calculated and presented below.

**Table 8: Number of Projected Jobs**

Jobs	Do minimum			Partial investment			Full investment		
	Edinburgh	City Region	Scotland	Edinburgh	City Region	Scotland	Edinburgh	City Region	Scotland
<b>Construction phase</b>									
Construction jobs (PYEs)	231	240	316	800	800	600	2,700	2,800	1,900
<b>Operating phase (FTEs)</b>									
Occupation of commercial space	0	0	0	1,300	1,100	1,000	5,800	5,200	5,200
Additional household expenditure	386	291	206	1,300	1,100	800	4,200	3,500	2,600
Visitor expenditure	0	0	0	0	0	0	5,900	4,200	2,300
Additional Council Tax revenue	29	38	43	200	200	300	600	700	800
<b>Total impact</b>	<b>646</b>	<b>569</b>	<b>565</b>	<b>3,600</b>	<b>3,200</b>	<b>2,700</b>	<b>19,200</b>	<b>16,400</b>	<b>12,800</b>

3.20. The net present value (NPV) of the gross value added (GVA) of all the benefits over a 40-year period have been calculated and presented below.

**Table 9: NPV of Benefits**

Economic impact	Do minimum			Partial investment			Full investment		
	Edinburgh	City Region	Scotland	Edinburgh	City Region	Scotland	Edinburgh	City Region	Scotland
<b>Construction phase</b>									
Construction impact	£16m	£17m	£24m	£51m	£54m	£39m	£162m	£173m	£125m
<b>Operating phase</b>									
Occupation of commercial space impact	£0m	£0m	£0m	£37m	£31m	£28m	£176m	£166m	£169m
Additional household expenditure impact	£5m	£5m	£3m	£18m	£15m	£12m	£54m	£47m	£37m
Visitor expenditure impact	£0m	£0m	£0m	£0m	£0m	£0m	£67m	£50m	£28m
Additional Council Tax revenue impact	£1m	£1m	£1m	£6m	£8m	£8m	£19m	£24m	£26m
<b>Total impact</b>	<b>£22m</b>	<b>£23m</b>	<b>£28m</b>	<b>£112m</b>	<b>£108m</b>	<b>£87m</b>	<b>£478m</b>	<b>£460m</b>	<b>£385m</b>

3.21. The “full investment” case returns the greatest economic impacts in terms of the sizes of the construction and operating benefits. The total benefits of the “full investment” option are around four times the size of the “partial investment” option and over 20 times the size of the “do minimum” option.

## Cost-benefit analysis

- 3.22. The results of a cost-benefit analysis carried out at the Edinburgh, Edinburgh City Region, and Scotland levels are set out in table 10 on the following page. The benefit cost ratio (BCR) for each option and geographical area was calculated by taking the NPV of the total net benefits over 40 years and dividing this by the NPV of the total costs over the same period.
- 3.23. Welfare weights can be applied to benefits when a project aims to improve a deprived area through some level of intervention. HM Treasury Green Book guidance was used to do this, with a welfare weight calculated by dividing the average income of all households (at the different area levels) by that of the North Edinburgh households and then multiplying this figure by a factor of 1.3. This factor is used to take account of the marginal utility of income i.e. that the impact of an increase to a household's income diminishes the higher that base income is. This welfare weight has been applied to the calculation of net additional discounted GVA to provide a weighted benefits figure to reflect the improvement to deprivation this regeneration programme seeks to deliver.

**Table 10: Net Additional Discounted GVA**

	Do minimum			Partial investment			Full investment		
	Edin	City Region	Scot	Edin	City Region	Scot	Edin	City Region	Scot
<b>Costs</b>									
Public sector (discounted)	£99m	£99m	£99m	£113m	£113m	£113m	£380m	£380m	£380m
<b>Gross benefits</b>									
Construction (PYEs)	400	400	400	1,500	1,500	1,500	5,100	5,100	5,100
Operating (FTEs)	8,000	8,000	8,000	34,200	34,200	34,200	129,000	129,000	129,000
Gross GVA (discounted)	£138m	£138m	£138m	£583m	£583m	£583m	£2.1bn	£2.1bn	£2.1bn
<b>Net benefits</b>									
Construction (PYEs)	231	240	316	800	800	600	2,700	2,800	1,900
Operating (FTEs)	415	329	249	2,800	2,400	2,100	16,500	13,600	10,900
Net GVA (discounted)	£22m	£23m	£28m	£112m	£108m	£87m	£478m	£460m	£385m
Net GVA (discounted and socially weighed)	£51m	£53m	£64m	£255m	£246m	£199m	£1.1bn	£1.0bn	£878m
Number of new homes	206	206	206	862	862	862	2,864	2,864	2,864
<b>Value for money</b>									
Public sector costs BCR	0.2	0.2	0.3	1.0	1.0	0.8	1.3	1.2	1.0
Welfare weighted public sector costs BCR	0.5	0.5	0.6	2.3	2.2	1.8	2.9	2.6	2.3

3.24. The “full investment” option delivers the strongest benefit-cost ratio: 1.3 at an Edinburgh level. When the BCR is weighted to reflect deprivation in Granton Waterfront, this rises to 2.9.

## Carbon Scenario Tool

- 3.25. In addition to the impact outlined in table 9, the Carbon Scenario Tool (CST), jointly developed by the City of Edinburgh Council and the Edinburgh Centre for Carbon Innovation (ECCI) was used to model the emissions impact of delivering the programme. The regeneration of Granton Waterfront is being used as a pilot project for the CST. It is expected that the output of the CST will change to reflect ongoing development of, and evolution in the specifications of the programme.
- 3.26. During stage 3 of the programme to progress phase 1 'Heart of Granton', the project will continue to model the impact of carbon emissions through use of the CST and report back on this as part of the business case to future committees to help further inform decision making.
- 3.27. Alongside the new homes at Granton, the tool has been used to assess the impact of the new biodiverse parkland, a school, medical centre, creative and commercial space, new cycling and walking routes and enhanced sustainable transport connections within the city. In addition, there is also a key opportunity to provide heat and hot water to new and existing communities through a low carbon heating network.

**Fig 1: Embodied and Operational Emissions**

First Full Year of CO <sub>2</sub> e savings		2025	
Embodied carbon (estimated tCO <sub>2</sub> e)	301,140	Capital Cost (£)	£862.5 m
Operational carbon savings (estimated tCO <sub>2</sub> e/year after project completion)	5,584	% reduction on the total City footprint	0.2 %
Areas of footprint affected by project			
Activity	Sector	Category	Size of footprint sector in baseline year (tCO <sub>2</sub> e)
Travel	Household	Road	441,147
Heat & Power	Household	Domestic buildings	774,596
Heat & Power	Council	Public buildings	61,930
Heat & Power	Business	Commercial buildings	239,388

**Cumulated carbon savings by 2030: 20,454 tCO<sub>2</sub>e OR:**



The annual carbon footprint of  
**2,450** UK residents



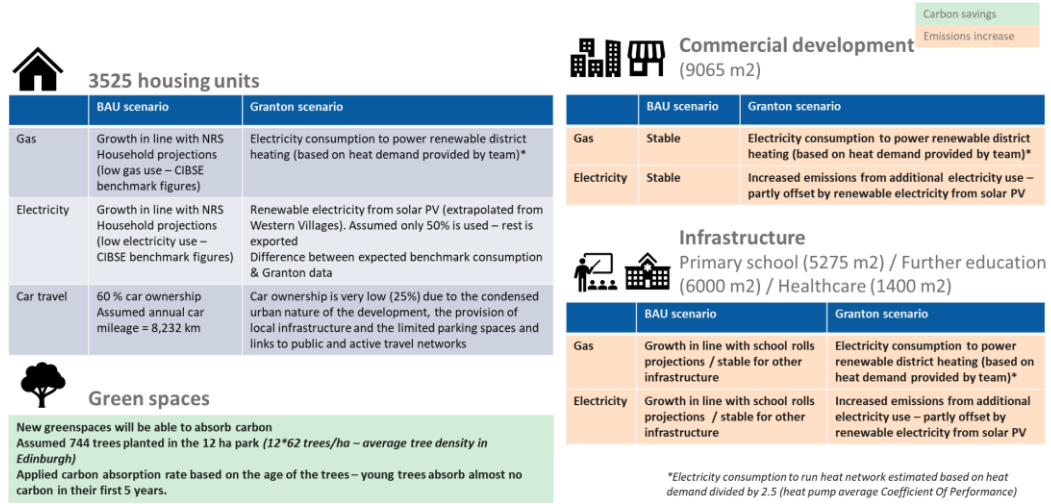
**78,400** return flights Edinburgh-London

- 3.28. The CST analysis provides initial estimates for both embodied and operational emissions as shown in Fig 1 above. Embodied emissions associated with, for example, manufacture of construction materials, are not included in the city's territorial emissions footprint; in carbon accounting terms they 'belong' to the geographic area where they were manufactured. Embodied emissions are included here for transparency and, although they are not included in the city's target, the design brief requires the use of sustainable materials wherever practicable.
- 3.29. Operational emissions are associated with activities such as transport and powering homes and businesses and are evaluated against a Business As Usual (BAU) baseline. This



baseline reflects the commitment to develop the area and allows analysis to show the extent to which the current Granton Business Case delivers an improvement to operational emissions from the site. The BAU baseline can be seen in Fig 2 below:

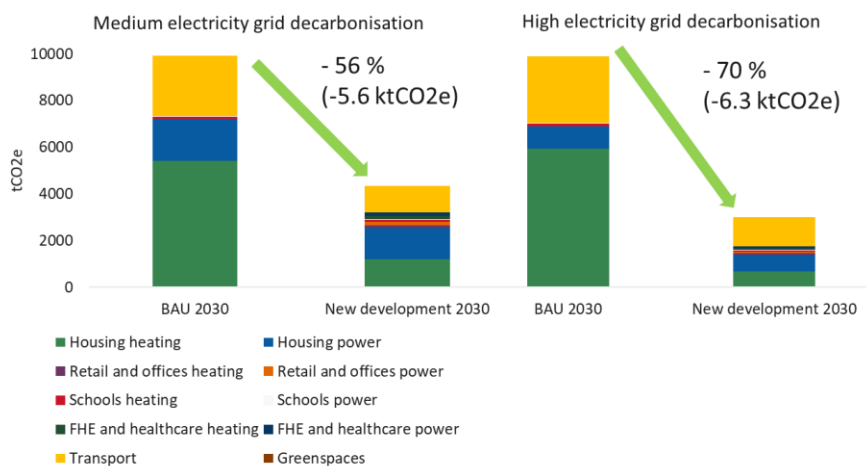
Fig 2: BAU Baseline



3.30. The initial findings of the CST highlighted a positive benefit of the approach in comparison to BAU. Evaluation was done against a number of key assumptions and scenarios. The conservative medium decarbonisation scenario of the electric grid shows a 56 % CO<sub>2</sub>e saving in favour of the new development, compared to BAU. This could increase to 70 % in a high decarbonisation scenario, See Fig 3 below. The largest increase in savings is linked to housing heating and to transport emissions, and the projected cumulative emissions savings by 2030 are equivalent to the annual emission of 2,450 households, or 78,400 return flights from Edinburgh to London.

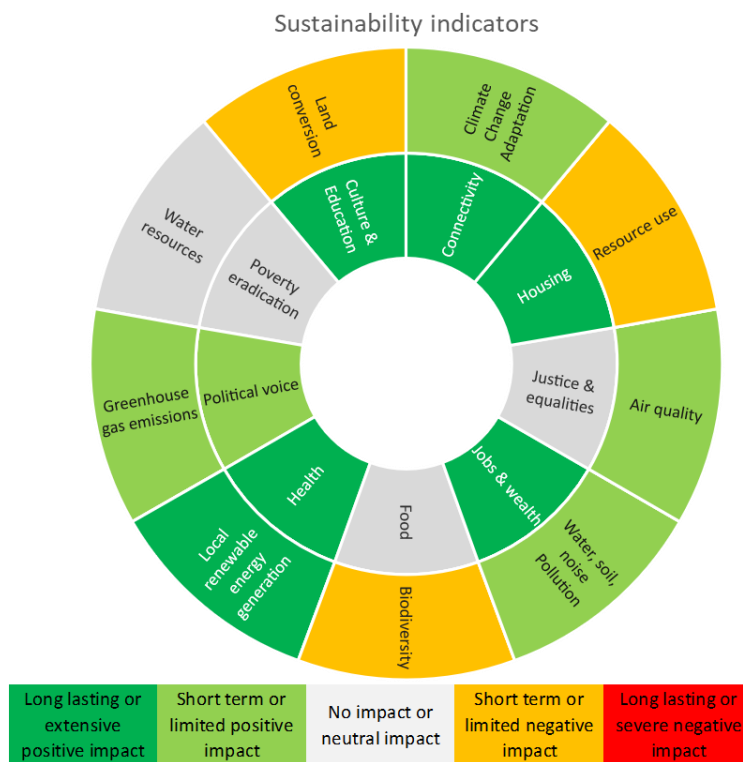
Fig 3: Carbon Emissions in 2030

### Carbon emissions in 2030



- 3.31. Granton Waterfront’s approach to emissions reduction, through exemplar design and promotion of sustainable life choices, will make a significant contribution to ensuring the city meets the needs of its growing population in a more sustainable way. As progress is made through the next phases of the programme, continual assessment of new technologies and ways of doing things will aim to push down emissions as low as possible alongside developing a suite of community based carbon capturing measures that can be used to offset residual emissions , contributing to Edinburgh’s target to become a net zero city 2030.
  
- 3.32. In addition to greenhouse gas emissions, the CST analysis also includes consideration of wider sustainability and co-benefits indicators, such as air quality and population health. Figure 4 below illustrates analysis adapted from the Doughnut Economics Model and the Cornwall Decision Making Wheel<sup>6</sup> which seek to ensure social needs are met in a sustainable way, without overshooting environmental boundaries. The CST analysis shows that overall Granton Waterfront could secure positive social impacts in areas such as health, jobs and wealth, alongside positive environmental impacts in areas such as air quality, energy and pollution. Negative impacts identified are limited or short term and relate to factors inevitably associated with development, such as resource use and impact on biodiversity. There are opportunities to minimise these impacts by using low carbon and renewable construction materials, reused materials, working with experts to mitigate harm to local species and delivering improvements through habitat creation or enhancement. The impact on land conversion is estimated to be negligible as the programme is focussing on delivering high-density housing on brownfield land rather than greenfield.

**Fig 4: Sustainability Indicators**



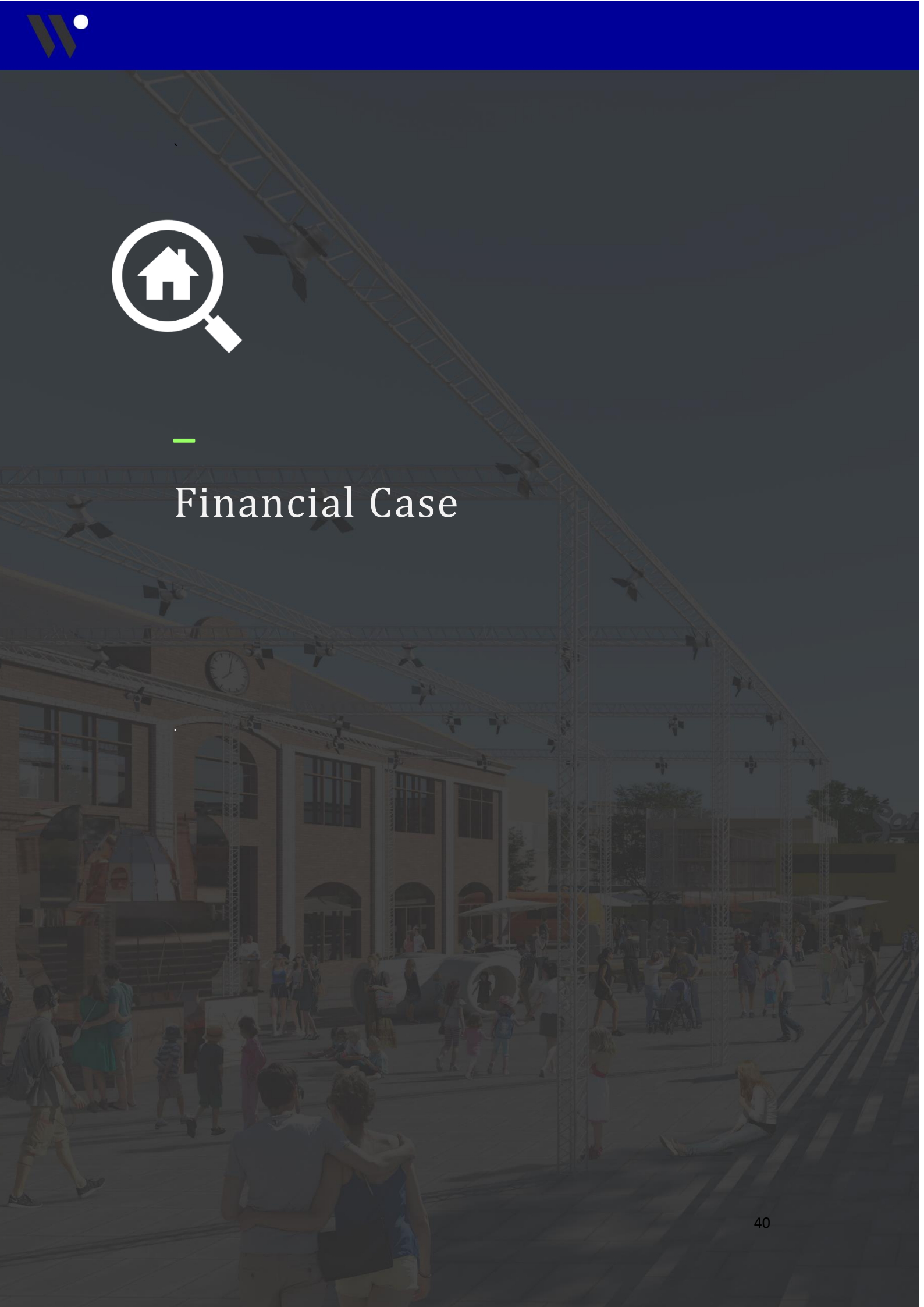
<sup>6</sup> Visual framework for sustainable development, University of Oxford 2012  
<https://www.local.gov.uk/case-studies/cornwall-council-doughnut-economics>

## Conclusion

- 3.33. The Economic Case sets out the process that was undertaken to identify a preferred option for delivering the regeneration of Granton Waterfront, including an options appraisal and a cost-benefit analysis supported by an economic impact assessment. The “full investment” option is judged to make the greatest contribution towards delivering the benefits associated with the strategic objectives, to deliver the greatest net economic impacts, and to achieve the strongest benefit-cost ratio.
- 3.34. According to the Department for Communities and Local Government (DCLG) Appraisal Guidance, BCRs of less than 1 represent poor value for money, while those between 1 and 2 represent good value for money and those over 2 represent high value for money. In this context, the “do minimum option” represents poor value for money, even on a weighted basis, while the “full investment” option represents good value for money on an unweighted basis and high on a weighted equivalent. The “partial investment” option is good value for money on an unweighted basis and high on a weighted basis.
- 3.35. The DCLG estimates that the overall BCR associated with regeneration activity would be expected to be on average around 2.3 to 3.5. This average is based on regeneration schemes that involve large scale investment in this context, the above BCRs are relatively low. However, Granton Waterfront involves considerable upfront infrastructure investment and relatively expensive commitments on net zero buildings and affordable housing. This average is also based on regeneration schemes that involve large scale investment in office accommodation which is not proposed by the Granton Waterfront Development Framework. The full investment case will also generate significant non-monetised benefits such as reduction of carbon emissions, reduction in fuel poverty and an increase in health and well-being benefits. Therefore, in practice, the BCR will be comfortably above stated monetised levels.
- 3.36. Overall, it is considered that the “full investment” approach to the regeneration of Granton Waterfront represents best value for money for the public sector whilst best achieving the strategic objectives set out within the strategic case.



# Financial Case



## 4. Financial Case

### Chapter summary

- The financial model produced for the 2020 Programme Delivery Plan has been revised and updated to incorporate a renewed cost plan.
- This takes into account more detailed costings from early action projects, updates based on the phasing, decontamination and transport strategies and increased net zero carbon requirements.
- Existing funding sources have also been reviewed and have been updated where appropriate, including residual land value, developer contributions, grant funding and the level of borrowing that could be supported by the Housing Revenue Account (HRA) and Edinburgh Living through their net rental income streams.
- The outputs of the modelling suggest a large viability gap. The total funding shortfall in delivering phases 1-4 of regeneration is £381.2m (£306.2m net of optimism bias). The first phase of regeneration has a funding shortfall of £70.1m (£45.5m net of optimism bias).
- Sensitivity testing has been undertaken on the key assumptions showing the financial impact of changes.
- Based on the extent of the shortfall, it is difficult to fund the entire programme from the outset, but the phased approach set out in the Commercial Case breaks it into more achievable targets.
- A funding strategy has been set out which considers the potential sources of external funding to address the shortfall in the first phase - the Heart of Granton.
- Success in delivering the regeneration in line with the vision will be dependent on the Council securing a package of funding from Government and other external parties for the first phase, and a commitment towards providing funding for future phases.

### Introduction

- 4.1. The Financial Case seeks to assess the affordability of the Granton Waterfront regeneration programme to the Council. The full costs and income have been modelled. This includes carrying out enabling works, developing net zero carbon Council-owned homes, commercial properties, educational facilities, public realm and greenspace together with all income related to development.

- 4.2. The financial model produced for the 2020 Programme Delivery Plan has been revised and updated to incorporate a renewed cost plan, which takes into account more detailed costings from early action projects, updates based on the phasing, decontamination and transport strategies and increased net zero carbon requirements.
- 4.3. Existing funding sources have also been reviewed and have been updated where appropriate, including residual land value, developers' contributions, grant funding and the level of borrowing that could be supported by the Housing Revenue Account (HRA) and Edinburgh Living (the council's mid-market rent and market rent vehicles) through their net rental income streams.
- 4.4. A funding strategy has been developed with a view to securing additional resources in order to take forward the project on a phased basis.

## Project Costs

### Cost Plan

- 4.5. Project costs have been derived from a detailed cost plan produced by consultants Arcadis, which estimates the total cost of development (including private sector development and early action projects) to be £831.9m in today's prices. This estimate is based on the following assumptions:
  - Housing construction costs have been benchmarked against a range of both Council and private sector developments of a similar nature.
  - The costs assume that the Council will deliver 35% of homes; RSL 15% and the remaining 50% will be private sector led. A minimum of 35% of the homes will be affordable and delivered through Council and RSL partners.
  - Contingency has been included to allow for the level of design information available.
  - Net zero carbon costs are based on the solution being developed for Western Villages.
  - Costs for commercial buildings, park buildings and the health centre have been based on benchmarking information.
  - Costs for the primary school are based on Scottish Futures Trust metrics.
  - Costs for infrastructure are based on Western Villages where this is appropriate, and otherwise based on benchmarking.
  - Heritage and cultural works, such as the Gas Holder and Granton Station, are based on separate consultants' reports along with existing contract prices.
  - The Cost Plan for the Silverlea project is separate and includes a further £30.6m of cost.
  - The key cost metrics are set out in the following table (all in 2020/21 prices):

**Table 11: Key cost metrics for cost plan**

Element	Metric	Total Cost
Private homes including sales, marketing, legal and finance charges but excluding net zero carbon	£145,730 per unit	£253.3m
Council led / Edinburgh Living Homes excluding net zero carbon	£140,675 per unit	£160.9m
Registered social landlord homes excluding net zero carbon	£140,675 per unit	£71.0m
Silverlea	Based on separate cost plan	£30.6m
Net zero carbon	£18,558 per unit	£62.9m
Commercial buildings	£1,100 / sqm	£10.0m
Education buildings	£3,872 / sqm	£20.4m
Health buildings	£4,300 / sqm	£6.0m
Parks and greenspace		£14.1m
Heritage regeneration		£18.3m
Enabling and Infrastructure		£215.0m
Total		£862.5m

### Contingency

- 4.6. In order to allow for financial risks, a £47m contingency has been allowed for in the cost plan, based on an initial assessment of risk. The allowance is as set out below:

**Table 12: Contingency allowances within Cost Plan**

Element	Contingency	Description
Buildings	£33m	5% client and 5% contractor contingency for Council and RSL housing
Enabling works	£13m	3% on remediation as Site Investigation has been undertaken, 10% for all other areas due to design being at high level
Green space	£1m	10% due to design being at high level
Heritage and culture	£0m	Deemed to be included within budget allowances
Total	£47m	

4.7. However, given the early stage of design and the extended timescale of the project, it is unlikely that this level will be sufficient to cover the level of potential risk.

### Financial model

4.8. In order to establish the overall cost to the Council of taking forward the programme, costs attributable to private and registered social landlord housing and health buildings are excluded from cost projections as these will be met by third parties. Sunk and committed costs associated with projects already underway have also been removed, as funding has already been identified for these early actions. These are Silverlea, Western Villages, Demonstrator and the refurbishment of Granton Station. This reduces the underlying cost plan requirement to £367.2m.

4.9. The revised cost plan figures are then adjusted for professional fees, inflation, optimism bias and items not included in the Cost Plan as set out below:

### Professional fees

4.10. The financial model adjusts the costs to allow for professional fees as follows:

- Professional fees and client costs associated with a master developer are factored into the appraisal using a 17.5% uplift, excluding those associated with compulsory purchase orders (CPOs) and decontamination. This has been benchmarked against other relevant programmes in the UK.
- Professional fees and client costs associated with the CPOs and decontamination are factored into the appraisal using a 5% uplift in line with other Council projects. The reduced rate for these categories of expenditure reflect the fact that less work will be required to manage these processes.



### Inflation

- 4.11. Costs are profiled according to the phased programme set out in the Commercial Case and then uplifted for inflation based on a construction inflation forecast of 4% per annum.

### Optimism Bias

- 4.12. Academic research has shown that the final cost of major projects is often underestimated due to unrealistic budgets influenced by project team optimism. This phenomenon is known as optimism bias. To counteract this, the project has considered UK Government guidance.
- 4.13. HM Treasury Green Book guidance sets out a number of categories of project and the upper and lower levels of optimism bias which should be provided for each of these. Three of these categories are considered relevant to Granton Waterfront:

**Table 131: HM Treasury Green Book project categories relevant to Granton Waterfront and optimism bias**

Type	Upper bound	Lower bound
Standard buildings	24%	2%
Non-standard buildings	51%	4%
Standard civil engineering	44%	3%

- 4.14. The Green Book also sets out how the level of optimism bias should be reduced in proportion to risk avoidance or risk mitigation measures observed. Following a detailed internal review of risk mitigation measures, optimism bias has been calculated for each category.

**Table 14: Reduced optimism bias levels assessed against risk avoidance and mitigation observed for each Granton Waterfront phase**

Type	Upper bound	Lower bound	Evidence-based adjusted level
Standard buildings (housing)	24%	2%	8%
Standard Buildings (other)	24%	2%	24%
Non-standard buildings	51%	4%	27%
Standard civil engineering	44%	3%	19%

- 4.15. It is recognised that an allowance for contingency is included in the cost plan but, to remain prudent, an allowance to include both contingency and optimism bias has been favoured in the assessment of risk.

### Items not included in the Cost Plan

4.16. Two further items were not included in the Cost Plan:

- Acquisition of land and/or buildings on the site which are within the development area but not in Council control, currently assumed to be through compulsory purchase order. These have been included in the financial model based on an assessment of cost from a District Valuer report.
- A small number of heritage regeneration projects that are not related to specific plots have not been included in the cost plan. They have been included directly in the financial model based on assessment of costs as a result of structural and condition survey reports.

### Results

4.17. The results of the updated cost estimate are summarised in the table below:

**Table 15: Updated cost estimates to factor in professional fees, inflation and optimism bias**

Phase	Cost plan	Inflation	Professional fees	Land/building acquisition	Additional heritage regeneration	Total excluding optimism bias
Heart of Granton	£118.5m	£27.2m	£19.2m	£4.5m	£3.5m	£172.9m
Harbour Road	£104.0m	£40.1m	£23.5m	£13.1m	£1.5m	£182.2m
West Shore	£67.9m	£27.9m	£9.8m	£3.5m	£1m	£110.1m
Upper Granton	£76.8m	£51.4m	£20.7m	£0m	£0m	148.9m
<b>Overall Project</b>	<b>£367.2m</b>	<b>£146.6m</b>	<b>£73.2m</b>	<b>£21.1m</b>	<b>£6.0m</b>	<b>£614.1m</b>

**Table 16: Updated cost estimates to factor in optimism bias**

Phase	Total excluding optimism bias	Optimism bias	Total including optimism bias
Heart of Granton	£172.9m	£24.6m	£197.5m
Harbour Road	£182.2m	£19.0m	£201.2m
West Shore	£110.1m	£17.1m	£127.2m
Upper Granton	£148.9m	£14.3m	£163.2m
	<b>£614.1m</b>	<b>£75.0m</b>	<b>£689.1m</b>

## Funding

4.18. In assessing the funding currently available for the project, existing Council budgets have been assessed together with income that may be generated by the development itself. The main sources of funding are:

- **Capital expenditure supported by HRA/Edinburgh Living business plans** – The Council intends to deliver its new affordable homes through a combination of borrowing against rental income streams and government grant. The value included in the model is consistent with Council approved business plans and reflects the proposed house types and tenures set out in the cost plan.
- **Land receipts** - Plots of land that will be developed privately (but in line with the Development Framework) will be transferred to private developers and registered social landlords, in return for a capital receipt. This calculation takes into account the anticipated sale value (inclusive of place premium where appropriate), the expected level of developer’s profit margin, and the costs to develop each plot, as set out in the cost plan. In addition, sales price inflation of 2% per annum has been applied.
- **Section 75 developer contributions** – Contributions are based on assumptions set out in the Council’s Local Development Plan Action Programme.
- **Council Capital Investment Programme** – funding has been approved in the 10-year sustainable capital budget strategy for Granton Primary School. It is assumed that any current gap funding on this will be considered as part of the Council’s longer term capital planning.
- **NHS Lothian** – It is assumed that the costs of the health centre will be met by NHS Lothian

4.19. Funding can be broken down is as follows:

**Table 17: Available funding**

Capital supported by HRA and Edinburgh Living	£155.2m
Capital receipts for land sales	£106.1m
Council Capital Investment Programme	£28.2m
Developer contributions	£9.4m
NHS Lothian	£9.0m
<b>Total</b>	<b>£307.9m</b>

### Revenue costs and income

- 4.20. As well as the capital costs and funding identified above, the financial model identifies a one-off revenue cost of £11m for compensation associated with breaking long-term ground leases, and a future revenue stream of approximately £0.5m per annum plus inflation for rental of commercial units.

## Modelling results

### Affordability and funding

- 4.21. The net position is as follows:

**Table 18: Resulting net positions for each Granton Waterfront phase**

	Cost	Funding	Net position
Heart of Granton	£197.5m	£127.4m	£70.1m
Harbour Road	£201.2m	£59.8m	£141.4m
West Shore	£127.2m	£46.8m	£80.4m
Upper Granton	£163.2m	£73.9m	£89.3m
<b>Total</b>	<b>£689.1m</b>	<b>£307.9m</b>	<b>£381.2m</b>

**Table 19: Resulting net positions for each Granton Waterfront phase excluding optimism bias**

	Cost excluding optimism bias	Funding	Net position excluding optimism bias
Heart of Granton	£172.9m	£127.4m	£45.5m
Harbour Road	£182.2m	£59.8m	£122.4m
West Shore	£110.1m	£46.8m	£63.3m
Upper Granton	£148.9m	£73.9m	£75.0m
<b>Total</b>	<b>£614.1m</b>	<b>£307.9m</b>	<b>£306.2m</b>

### Opportunity cost

- 4.22. In making a decision on any major capital investment, it is good practice to consider the opportunity costs, i.e. the amount that could be available to spend on other projects if the capital investment were not made.
- 4.23. Should the Council decide to take forward some or all of this project from its own budgets, funding would need to be diverted from other Council priorities. However, given the size of the funding gap, this, without any external funding, is not a realistic option.

## Risks and sensitivity

### Risks and opportunities

- 4.24. The plan also assumes investment of government grant to provide affordable housing which could in theory be invested elsewhere. However, there are insufficient sites within the city for housing investment of the scale required to achieve the Council's 20,000 affordable homes target.
- 4.25. The detailed Granton Waterfront financial model is based on multiple assumptions. There are risks in relying on any financial model, particularly one covering such a long period of time and with multimillion-pound costs and income streams.
- 4.26. There is a risk that logical errors in the modelling result in misleading projections. A peer review of the model has been carried out by a finance officer who was not involved in the initial build. In addition, the model has been internally reviewed using a commercially available model auditing package, to ensure its logical integrity. The model is also maintained in accordance with the Financial Modelling Framework as signed off by the Council's internal auditors.
- 4.27. There is also a risk that key assumptions regarding costs and income prove to be inaccurate. Some assumptions which could significantly change the financial impact of the project include:
- Level of development costs as given in the cost plan;
  - Level of capital supported by the HRA and Edinburgh Living;
  - Assumed sales values for private and registered social landlord housing;
  - Level of contingency; and
  - Future legislative change which has not been anticipated.

- 4.28. In response to this, sensitivity analysis has been carried out, against the base case, to determine the financial impacts to the Council should costs and income change for the worse

### Sensitivity analysis

- 4.29. To improve confidence in modelling outputs, the following sensitivities have been tested:

- Optimism bias manifests at the upper bound;
- The HRA and Edinburgh Living can support 10% less capital (e.g. through reductions in grants available);
- Private sector build costs are 10% higher than anticipated;
- Place Premium does not materialise; and
- The cumulative effect of all of the above manifesting.

- 4.30. Contrary to this, there are a number of possible “up-side” sensitivities that could occur:

- Optimism bias manifests at the lower bound;
- Improvements to housing market increase the sales value of private and RSL homes by 10%, increasing the size of the capital receipt;
- Increased level of grant or reduced interest rates allow a larger contribution from the HRA and Edinburgh Living; and
- The cumulative effect of all of the above manifesting.

- 4.31. The analysis below shows that if cost estimates prove to be overly optimistic or there are changes in the market that are detrimental to house sale prices, then the size of the funding gap will increase. The occurrence of the up-side sensitivities would decrease the size of the gap; however, a large shortfall would remain.

4.32. The outputs from the sensitivity analysis are:

**Table 20: Outputs from sensitivity analysis**

Scenario	Net position
Base case	£381.2m
Optimism bias at upper bound	£477.7m
HRA / Edinburgh Living support less capital	£396.6m
Place premium does not materialise	£428.4m
Higher build costs	£417.8m
Combined downside	£577.3m
Optimism bias at lower bound	£325.7m
HRA/Edinburgh living support more borrowing	£365.5m
Increased sales values for private homes	£333.7m
Combined upside	£262.8m

### Funding strategy

- 4.33. There are four key phases of delivery that will bring about the realisation of the vision for Granton Waterfront. Each phase has been developed to maximise the benefits from investment and create a sense of place from day one. Paramount to this is the infrastructure first approach which will allow homes, commercial space and key services to be built at pace and scale. While ad hoc funding for individual sites can be pursued, success in delivering the regeneration in line with the vision will be dependent on the Council securing a package of funding from Government and other external parties for Phase 1 (Heart of Granton), and a commitment towards providing funding for future phases.
- 4.34. Table 18 in paragraph 4.21 of this chapter provides an overview of the affordability and funding of phase 1. With an overall cost of £197.5m to deliver phase 1 and funding identified in the region of £127.4m from the Council’s Housing Revenue Account,

Edinburgh Living and grant subsidy from the Affordable Housing Supply Programme (AHSP) for delivery of homes, there is currently a funding shortfall of around £70.1m.

- 4.35. The table below breaks down the capital cost into five key areas of investment and matches them to potential sources of additional funding. As part of the pre-development phase, bids will be made to government and external parties matching the programme’s requirements with the criteria set out for each opportunity.

**Table 21: Potential sources of additional funding**

Area of Investment	Description	Capital cost	Funding Opportunity
<b>Housing (Council and Edinburgh Living)</b>	66 homes for social rent 53 homes for mid-market rent 84 homes for market rent Including Commercial	£48.6m	Additional Affordable Housing Supply Programme grant funding; additional grant for mid-market rent; debt sculpting to increase financial viability; City Region Deal Housing Infrastructure Fund
<b>Net zero carbon</b>	Low carbon heat technologies	£5.9m	Low Carbon Infrastructure Transition Programme, green recovery; Green Growth Accelerator; Scottish National Investment Bank; Shared Prosperity Fund
<b>Gas Holder restoration and other heritage assets</b>	Restoration of structural frame, demolition of the bell and decontamination of the plot, landscaping	£26.6m	Levelling Up Fund Bid; Historic Environment Scotland; National Lottery Heritage Fund; Shared Prosperity Fund
<b>Place-making and transport</b>	Public realm Cycle and footways Junction improvements Mobility hub	£52.0m	Place Based Investment Programme; Regeneration Capital Grant Fund; Places for Everyone; Sustrans; Shared Prosperity Fund
<b>Enabling and remediation</b>	Land remediation	£21.2m	Vacant and Derelict land Investment Programme

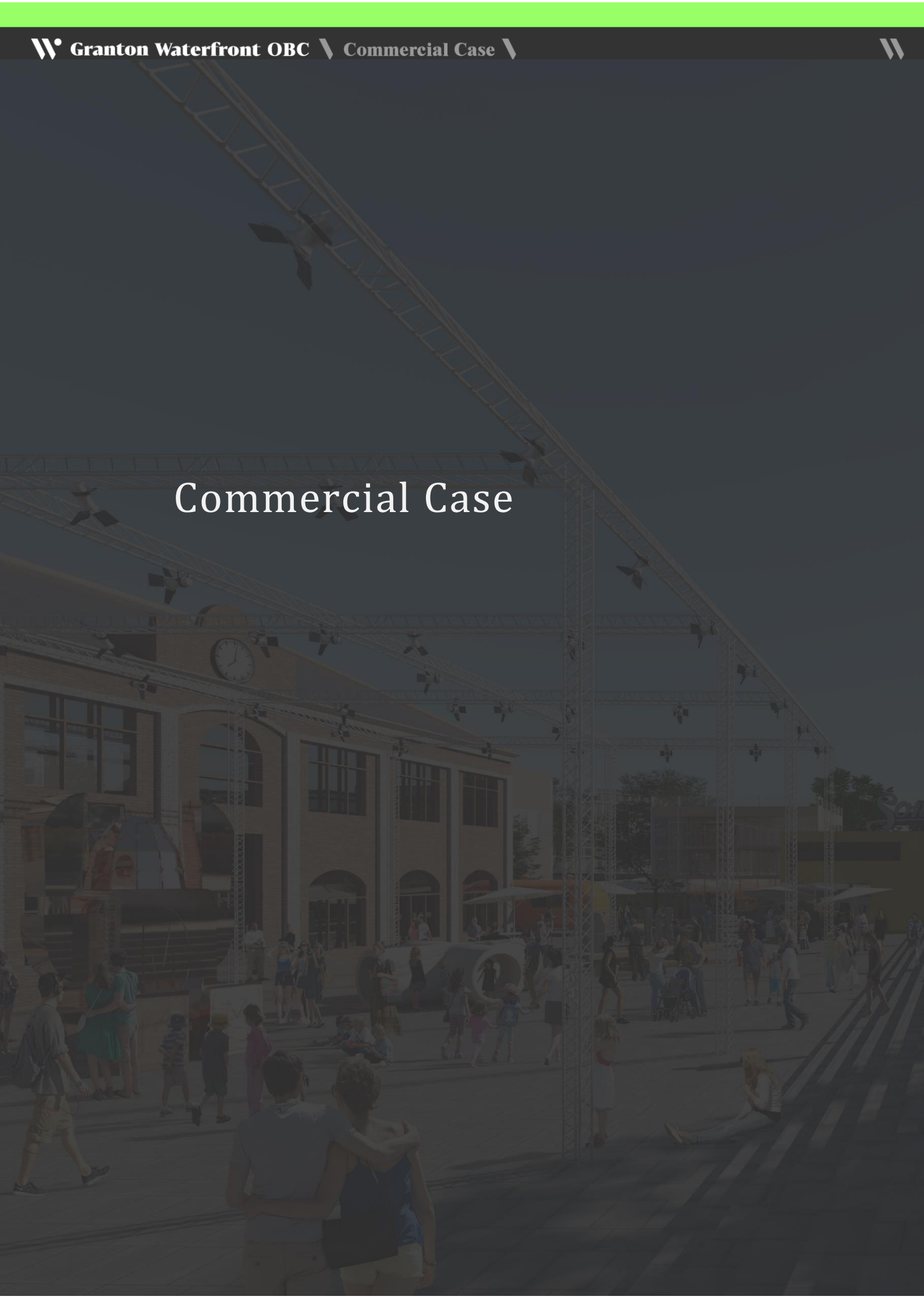


- 4.36. Table 21 above excludes Health Centre (£10.9m) and school (£32.3m) as funding is indicatively earmarked for these through NHS Lothian and the Council's capital programme respectively.
- 4.37. Securing the required funding from various sources will allow the Council and its development partner(s) to enable phase 1 to be delivered within the timescales specified and allow for pace and scale as set out within the master programme in table 25 at section 6.14 of the management case. Throughout the pre-development period, the programme team will continue to monitor the funding gap on phase 1 of regeneration. Through working with the development partner and securing funding as necessary, a viable and deliverable phase 1 of regeneration can be achieved.

### Conclusions

- 4.38. Detailed analysis of costs and funding reveal a significant funding gap for the Granton Waterfront programme of £381.2m. This is a prudent estimate, incorporating optimism bias. Sensitivity testing has shown that improved market conditions could reduce the gap. However, there is also a risk that the gap could increase if market conditions deteriorate or other risks materialise. Based on the extent of the shortfall, it is difficult to fund the entire programme from the outset, but the phased approach set out in the Commercial Case breaks it into more achievable targets.
- 4.39. The funding strategy sets out potential sources of external funding to address the shortfall in the first phase - the Heart of Granton. Should the Council be successful in securing the £70.1m required to close the funding gap, phase 1 could proceed and further detailed work could commence to obtain funding for the remaining three phases.

# Commercial Case



## 5. Commercial Case

### Chapter summary

- The Granton Waterfront regeneration programme has a highly complex delivery profile based on remediation and vast enabling infrastructure required.
- The delivery strategy has been informed by the key programme requirements along with an assessment of the main barriers to achieving these.
- A revised phasing strategy is proposed based on delivering plots with lower infrastructure and remediation costs earlier on with the anticipated benefits of a 'place premium' being used to offset higher abnormal costs in later phases.
- Delivery models have been considered and it is concluded that a combination of partnering with the private sector and entering into contracts for specialist work will best help achieve the programme requirements at this current point in time.
- As a significant funding shortfall exists, there is not considered to be a viable market option that would allow for delivery of the overall programme from the outset.
- The Council will retain the "master developer" role moving forward and apply a phased approach to development delivery that maximises opportunities and benefits, optimises market interest and manages risks.
- A delivery strategy for phase 1 has been identified which seeks to appoint a development partner whilst in parallel progressing development of the district heating network business case stages.
- A pre-development period may be utilised following the appointment of a development partner. This stage can be useful in adding value, ensuring co-ordination and managing risk.
- The procurement strategy for appointment of a development partner will be developed based on lessons learnt from these recent exercises on Fountainbridge and Meadowbank.

### Preparing an approach to delivery

- 5.1. The purpose of the Commercial Case is to identify the best structure in terms of delivering the project, achieving the desired outcomes, ensuring value for money, appropriately assigning risks, and identifying a viable procurement route.
- 5.2. The Granton Waterfront regeneration programme is highly complex in its delivery profile. It is a large development opportunity with a variety of constraints and generally modest

end use values. The significant level of remediation required, and the vast enabling infrastructure needed to create developable plots, mean the opportunity is not currently attractive to a private developer on a strictly commercial basis. Managing the timing and interdependencies between different work packages also adds an additional layer of complexity and risk.

- 5.3. In developing the Commercial Case, key considerations have been identified to inform the commercial strategy. The programme requirements as identified by the Development Framework are set out further in this chapter along with the issues standing in the way of progress, as well as potential approaches to address these.
- 5.4. Through this analysis, a delivery strategy for the overall programme has been formulated along with a consideration of how phase 1 can be procured whilst effectively managing risk, achieving desired outcomes and ensuring value for money.

### Key considerations

- 5.5. The barriers that currently deter private developers need to be fully understood and explored so that alternative approaches can be identified that could support market engagement and ultimately investment in the area. Key programme requirements along with barriers and opportunities informing the Commercial Case have been identified and are set out below. Soft market testing under strict engagement criteria has also been used to obtain feedback from a range of sources including registered social landlords, volume housebuilders, place/regeneration specialist developers, and institutional investors to further inform the approach.

### Programme requirements

- 5.6. A vital component of the delivery approach is to understand the key parameters around how any commercial deal can be structured. “Must haves” that are considered vital to the programme’s success are set out below, providing parameters with which to assess the approach to delivery and consider further how best these outcomes could be secured.

**Table 22: Approach to Delivery ‘Must Haves’**

Requirement	Summary comments
Energy and sustainability	Energy and sustainability are fundamental and must run through every aspect of the project. Planning authority controls built into the delivery model may be required to ensure these requirements are passed onto third parties.
Profit and costs	The success of the project will be demonstrated through a holistic benefits case. Commercial metrics remain important and it will be incumbent on the project to recover its initial costs, albeit long-term profit generation is not a key priority for the delivery model.
Affordable housing and equitable society	Affordable Housing provision is an important requirement of the regeneration with an assumption that at least 35% of homes delivered will be of this tenure. The creation of jobs and apprenticeships within the local area will contribute to the sustainability of the community and is therefore a key theme to be considered in the delivery approach.
Control and flexibility	<p>There is a need to future-proof the vehicle(s) used for developing the project (for example, a joint venture (JV)). It must be agile and be able to adapt to the challenges of the future and the unknown issues that may arise.</p> <p>Control is important to the Council and in certain phases it would not want to lose control; however, there are instances where having a private sector-led JV can open the door to funding and financing opportunities unavailable to a public sector-led JV.</p> <p>Different stages of the project will require different levels of retained control by the Council. In some phases, it might be appropriate to have the private sector lead with reduced levels of control by the Council accepted.</p> <p>It is impossible to capture everything in a contract so there is the need to choose the right partner(s) for the long term - this can be done through engaging the market early and the procurement process.</p>
Phased approach	There is a need to package up different sections and adopt a phased approach. The phasing needs to be programmed in order to create place making from the outset and regenerate distinct areas in one go rather than pepper potting development throughout the Development Framework area.
Political buy-In	Ensuring the programme aligns with Scottish Government and UK Government policies will ensure objectives are synchronised and help secure funding required to proceed.
Risk	The allocation of risk is applied in a way which reflects the party best placed to manage that risk. Consideration must be given in the delivery strategy to those required capabilities both financially and technically when allocating risk.

## Barriers and mitigations

5.7. The key challenge for the project is addressing market failure that has restricted progress to date. From a delivery perspective, it is vital to recognise the need for the skills and expertise of the private sector to help enable and deliver the desired outcomes. For the project to be successful it needs to be attractive to the market and capable of securing investment. This therefore needs to be a fundamental requirement of any delivery strategy. To frame a clearer understanding of the viability challenges, the key components of the project have been broken down with options identified to remove the barriers that exist within these and which currently precludes the market participation that is required. The table below sets out the barriers and the preferred approaches to addressing each.

**Table 23: Barriers to Viability**

Commercial component	Barrier to viability	Preferred delivery option	Feasibility
Net zero carbon	High associated costs with different options. Market not yet paying premium to reflect additional environmental benefits.	Centralised low carbon district heating	Several emerging business models being applied elsewhere through the use of energy service companies (ESCOs). Government funding available to make this more viable.
Affordable housing	Income streams from affordable rents do not always offer sufficient capitalised value to cover costs of delivery without grant funding.	Traditional delivery route through Council's house building and that of registered social landlords (RSL) partners. Unlikely to support land value uplift but this could emerge at later phases with possible institutional partner investment.	Traditional model well understood and clear evidence of delivery. Institutional appetite for long dated income streams becoming more evident in the market.
Infrastructure first approach	High levels of upfront cost required prior to realisation of market value and place premium.	Master developer approach to coordinated enabling works and long-term alignment to deliver place premium.	Need to secure the optimal contractual model with partner, define clear long-term business plan, phasing strategy which optimises delivery, clear commitments around what is expected of each party.

Commercial component	Barrier to viability	Preferred delivery option	Feasibility
Contaminated land	Extent of potential remediation required and associated costs, risks and liabilities clearly unattractive to the market.	Detailed remediation strategy applied to inform approach. Preferable position to appoint specialist contractor jointly with a development partner with the full understanding of requirements, risk transfer and warranties.	As a legacy of previous land use and within the Council ownership, it is likely that public funds would be required to fund the removal. This should be based on a phased approach which manages public cashflow and allows for any outperformance of the scheme financials to offset future costs.

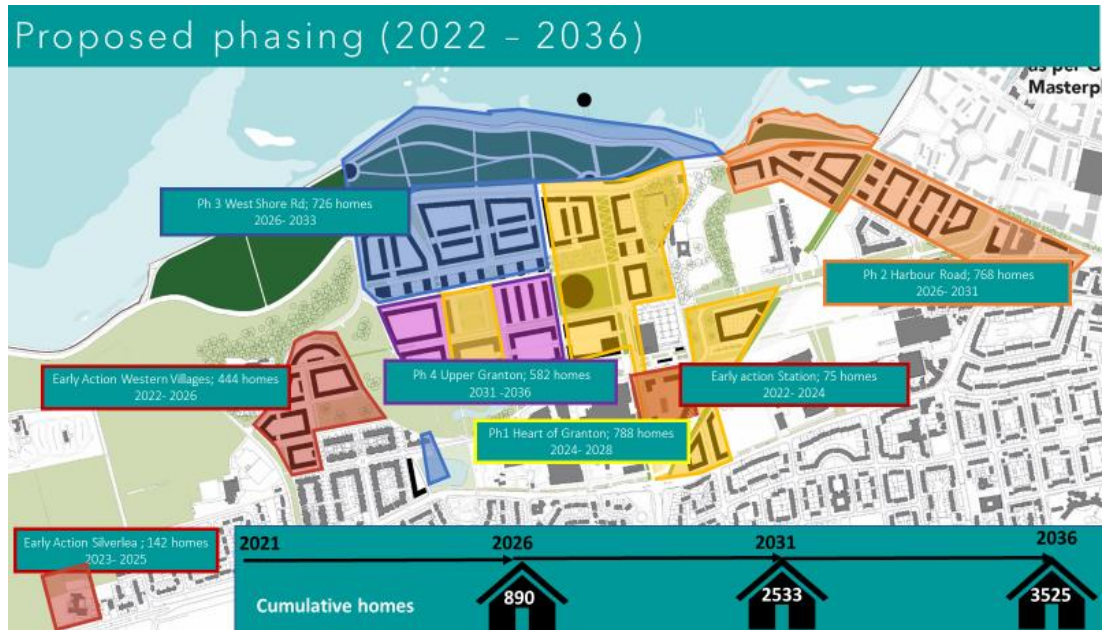
### Overarching delivery strategy

5.8. Informed by the key considerations above, this section sets out the delivery strategy for the Granton Waterfront regeneration programme. The approach taken is to break down and reposition the opportunity in a way that is more likely to generate a market response and create competitive tension, while also balancing the risk to the public sector in line with value for money considerations, and ultimately that will deliver the project objectives and realise the project benefits. Project phasing and preferred delivery models designed to achieve this are set out in more detail below.

### Phasing principles

- 5.9. A detailed review of initial phasing strategy proposals has been undertaken and considered against the growing body of technical information. This review identified some key opportunities to enhance the approach to delivery as follows:
- The approach to remediating contaminated hotspots could be revised to reflect the remediation strategy which now anticipate a much lower offsite removal of material.
  - The focus on early benefit realisation identified a strong opportunity to build on the established uses located within the centre of the Development Framework area and enable a critical mass of mixed-use activity supported through key elements such as the refurbishment of Granton Station and opportunities to capture strong socioeconomic benefits.
  - A stronger response from the market could be generated from a phasing approach which presented early opportunities to invest with confidence based on an analysis of the relative viability prospects across different plots. This analysis identified significant variation in the level of infrastructure and remediation costs by plot. A phasing principle was therefore adopted to position plots with proportionately lower infrastructure and remediation costs to earlier phases with the anticipated benefits of a ‘place premium’ arising in the longer-term used to offset some of the additional abnormal costs in the later phases.

### Proposed phasing



5.10. The proposed phasing plan for the Granton Waterfront regeneration is shown above. This divides the developable plots into early action projects (red); phase one (yellow); phase two (orange); phase three (blue); and phase four (purple). The plan shows the housing trajectory numbers indicate potential to deliver over 3,500 new homes by 2036.

These phases are described below.

#### Early action projects

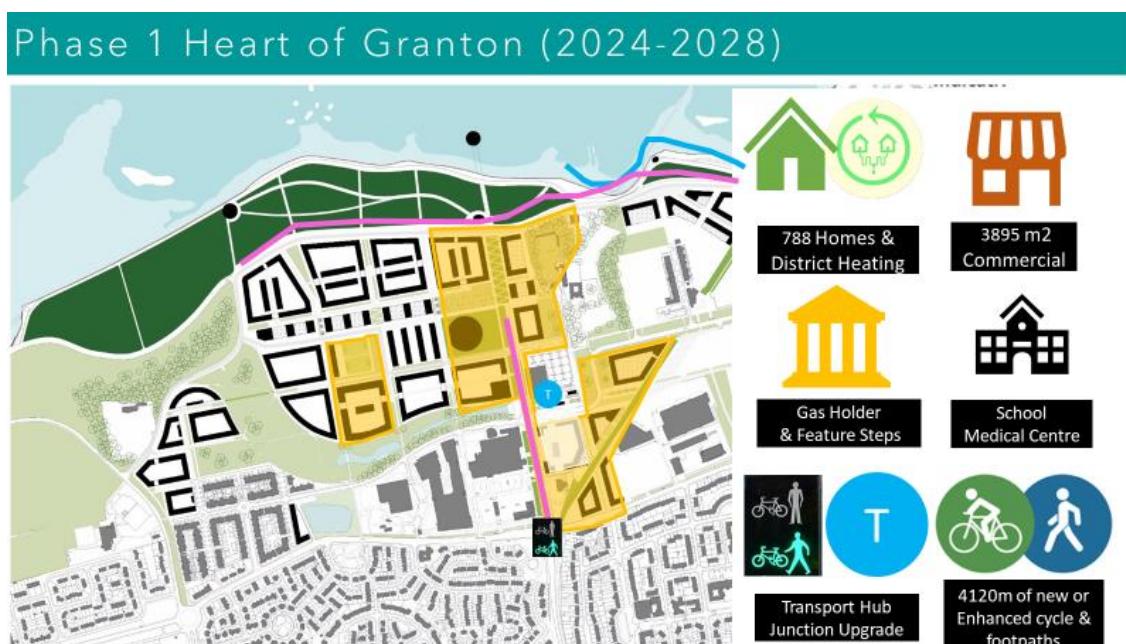


5.11. A number of early action projects are currently underway and will be delivered between 2021 and 2026. These projects are:



- Homes being constructed at Western Villages, Demonstrator site at plot D1 and Silverlea. This will create around 661 net zero carbon homes of mixed tenure – social, mid market rent, market rent and homes for sale;
- The refurbishment of Granton Station and the surrounding public realm for use as a creative hub;
- The illumination of the gasholder for up to two years as a partnership project between The City of Edinburgh Council and Edinburgh College; and
- The acquisition of the ground lease at 20 West Shore Road with lease for creative hub use.

Phase one – Heart of Granton

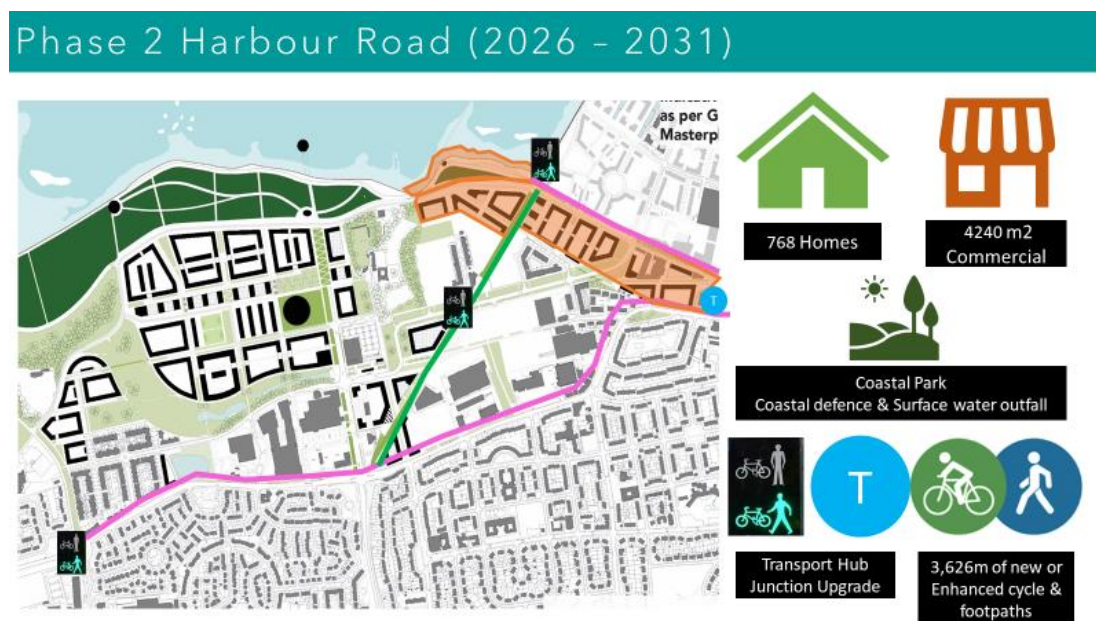


- 5.12. The central area of the Development Framework as identified mainly by the ‘Waterfront Broadway’ character area was agreed to be a natural ‘heart’ of the area. The established presence of key occupiers such as the Scottish Gas headquarters and the Morrison’s supermarket and the geographical location of these plots as both a gateway to the area and a connection to the coastline supported this as the starting point to delivery. A working title of ‘Heart of Granton’ has been given to this new first phase of the Development Framework.
- 5.13. This phase also includes key public realm interventions to the east of Waterfront Broadway and complements projects being brought forward by strategic partners.
- 5.14. Heart of Granton also provides an early opportunity to lead on placemaking intent through the delivery of a key assets such as a primary school, healthcare facility and restored Gas Holder.
- 5.15. Establishing a change in travel choices away from private car usage towards more sustainable modes of transport will be required from the outset of the delivery phase. A

new transport hub and active travel network will help engender that philosophy as part of the Inclusive mobility plan.

- 5.16. This phase benefits from an existing highway infrastructure and a relatively low risk of remediation as compared to other parts of the Development Framework, although the Gas Holder falls into phase one and unquestionably carries a significant cost (to be further explored through later design stages).

### Phase two – Harbour Road



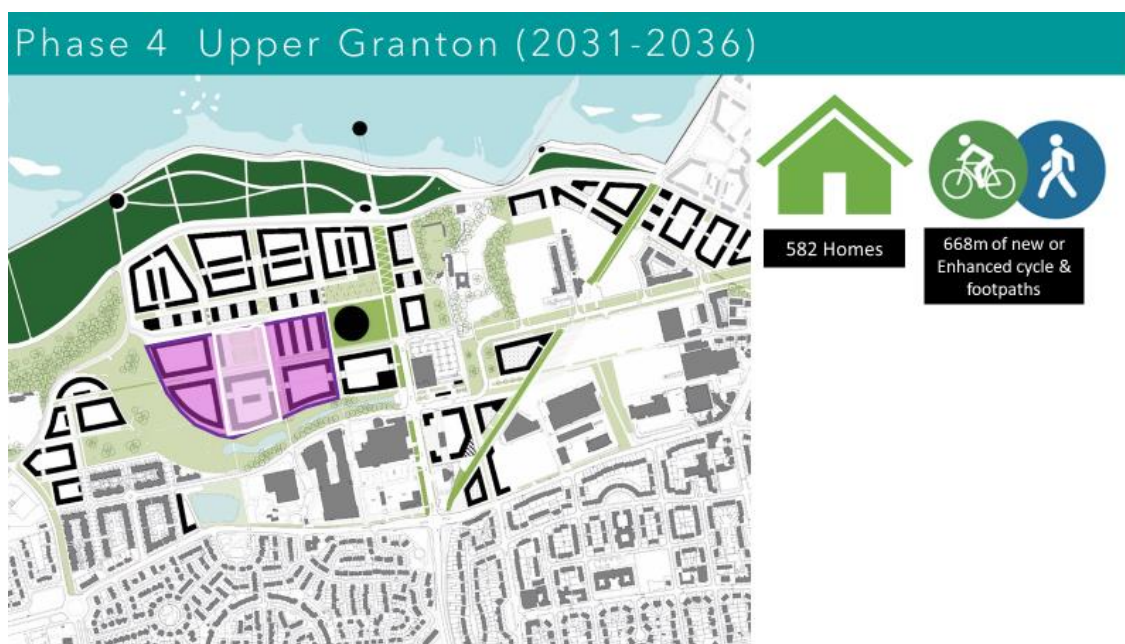
- 5.17. A sequential strategy building upon phase one was to form an ‘arrow type’ penetration to the coast. This entailed the first phase driving the linear route to the coast and then spreading out both east and west to activate as early as can be the coastal placemaking dimension. An application of the phasing principles determined that phase two should be the Harbour Road character area.
- 5.18. In terms of constraints, Harbour Road presents a less challenging set of remediation requirements compared to West Shore where extensive soil and groundwater remediation are required.
- 5.19. In terms of benefit realisation, the connection between Heart of Granton and Harbour Road through active travel and public realm linkage supports a strong place making dimension. This is supported by the green space and coastal enhancements delivered under this phase.
- 5.20. The constraint to this phase is principally the remediation requirements coupled with offsite transport contributions and the cost of sea wall defences.

Phase three – West Shore



- 5.21. To maintain and enhance further the coastal theme, West Shore is the natural next phase of development. It does however polarise in terms of opportunity and constraint. The site levels and positioning present opportunities to develop high quality homes with excellent sea views and the Coastal Park access which will be a major benefit to Granton Waterfront and the wider area. The extent of contamination, however, presents a major barrier to its delivery, much of which is related to the Coastal Park and therefore holds significant public value but little in terms of private value to incentivise speculators to invest in this.
- 5.22. At this stage in the projected timeline, it is anticipated that the extent of development taken place in phase one and two will give rise to a place premium' which will drive a more positive and investable proposition to the extent that the housing requirement can be delivered with a reduced deficit or even viable in traditional market terms.
- 5.23. The Coastal Park will have a clear demand profile from a growing population who will be seeking the benefits that this intervention can bring.

## Phase four – Upper Granton



- 5.24. The Upper Granton phase will deliver the final phase of the Development Framework and will represent a matured coastal neighbourhood underpinned by net zero carbon living and fully embraced sustainable transport modes.
- 5.25. This phase will require similar interventions around remediation however some of the key enabling infrastructure identified within the phase will be carried by earlier phases such as the restored gas holder and the spine road requirements to connect from Waterfront Broadway to Marine Drive now in phase three to unlock the West Shore.

### Delivery model options

- 5.26. The regeneration programme presents a complex undertaking of different elements of enabling and infrastructure works together with a range of uses from housing, commercial space, primary school, healthcare facility, coastal park and a potential district heating network. Overarching those different elements is a requirement to meet the strategic objectives for the project.
- 5.27. A deeper examination was undertaken as to the most suitable delivery model(s) which could best support meeting the requirements identified for the programme whilst retaining those elements identified around the optimal balance of control versus flexibility, with a focus on sustainability, affordable housing, and societal improvement. The range of different delivery models explored are summarised below:

#### Option one: Joint venture (JV) arrangement with private sector partner(s)

**Advantages:** This model is well known and understood in the market and can be attractive to the private sector.

A separate legal entity can contract in its own name and is therefore ringfenced from the Council.

This model allows multiple interested parties to participate in the JV e.g. developer, housebuilder, heat network provider.

**Disadvantages:** Land is likely to be transferred to the JV as part of the Council's contribution, meaning the Council loses control of its land other than through its JV interest. This can lead to challenges if the JV becomes insolvent.

There are high level costs associated with establishing and maintaining a separate entity.

Directors of the company must act in the best interests of the company. This may not be the same as the best interests of the Council.

A single procurement to appoint JV partners may not secure the best in class for all elements (e.g. strong developer but weak heat network partner).

**Perspective:** There is concern around a possible lack of control over the delivery of the place vision and the pace of delivery required to deliver step change across the framework area which may not always align to the commercial interests of a development partner. There are potential complexities identified around unwinding a JV entity if the JV does not perform. A multi-party procurement exercise may not be the most advantageous route to procuring best-in-class partners across the range of specialist areas required.

### Option two: A series of contracts; one for each specialism

**Advantages:** This allows specialists to be appointed to each individual aspect of a project, securing best-in-class providers.

The Council retains control and ownership of the land.

The Council retains control of contracting arrangements. If one particular contractor is underperforming, the Council can terminate and appoint a replacement without prejudicing the entire project.

**Disadvantages:** The Council has to manage different contractors/agents.

The Council carries risks in interface between those contractors/agents. If there is delay under one contract, the Council may be exposed to additional cost and carry the risk in delay to the programme.

**Perspective:** This option lends itself to distinct skillsets to deliver the identified requirements. Best-in-class partners can be selected across different specialist areas such as remediation, district heating, and infrastructure. There is a concern regarding the Council’s resources to manage multiple contracts with interdependencies.

### Option three:Partnering

**Advantages:** Council appoints a single partner (private sector development partner (PSDP)) through a single contract and that partner then takes on all other interfaces and contractual interdependencies therein and reduces the Council’s risk profile across the different elements of delivery.

The Council retains ownership of land and no separate legal entity is required to be set up, making this less costly than a formal JV partner approach.

**Disadvantages:** Residual liabilities will to some extent be pushed onto to the Council by the development partner where matters exist outside the partner’s control. These liabilities could be mitigated through insurance policies and warranties.

The level of risk taken on by the development partner will be priced accordingly and may impact on the market responsiveness to the opportunity and/or result in limited opportunity to commit contractually to a land receipt.

**Perspective:** This option presents a lower risk profile, albeit not entirely risk free, and could be attractive to a single-phase undertaking. The balance of risk and reward would need to be structured appropriately. One option could be to explore market facing risk via a pre-development agreement stage. This would allow some work to be undertaken with an option for both parties to proceed or agree to halt at a specified point.

5.28. All of these options have merit but when reviewed against the key considerations and requirements set out above, some combination of option two (a series of contracts; one for each specialism) and option three (partnering) was identified as the preferred option at this stage. It should be noted however, that this should be reviewed as the programme moves forward as successful delivery of initial phases of development may create new opportunities.

## Programme delivery approach

- 5.29. Work to date has identified a significant funding shortfall and there is not considered to be a viable market option that would allow for delivery of the overall programme at this juncture. As such, the Council will retain the “master developer” role moving forward. A phased approach to development delivery that maximises opportunities, optimises market interest, and manages risks will be taken forward. An energy and heat partner will be secured for Granton Waterfront as a whole (likely via a design, build, operate, and maintain agreement), while development partner(s) will be secured on a phase-by-phase basis (likely via development agreements).

## Phase one – delivering the Heart of Granton

- 5.30. This section sets out how phase one of the project – “Heart of Granton” – will be delivered.

### Proposed delivery model

- 5.31. As “master developer”, the Council will progress plans for delivering a district heating network. A detailed technical feasibility study has recently been completed. This concluded that a district heating network serving the new development and existing assets within the area would be viable. This is on the assumption that the energy centre would be built out in phases and that the capital cost would be supported with some level of government grant subsidy. The next stage is to produce an outline business case for the district heating network. This would be led by a technical team of consultants, bringing in financial and legal advisors. The outputs of this stage would be designs, more accurate financial modelling and a conclusion on the commercial route to secure an energy partner to deliver this.
- 5.32. In parallel with driving forward the district heating network outline business case stage, the Council will progress with the procurement of a development partner. The development partner will be appointed to deliver phase 1 of the regeneration programme in the first instance, but this may include an option to extend into future phases subject to key milestones being achieved.
- 5.33. The appointment of a development partner would coincide with the completion of the district heating network outline business case stage. The development partner would be appointed on the basis of accepting the energy solution proposed for Granton, working with the Council and an energy partner to deliver this and managing it as a key interdependency within the wider phase 1 regeneration work packages.
- 5.34. A pre-development period may be utilised following the appointment of a development partner. This stage can be useful in adding value, ensuring co-ordination and managing risk. This would likely be a 12-month stage where designs for phase 1 regeneration would be progressed, the final business case for the district heating network completed and all required planning submitted. The Council will also continue dialogue with both UK and Scottish Governments to explore and try to secure necessary grant funding that may be

required to close the overall viability gap. The funding strategy for phase 1 is set out in sections 4.33 to 4.36 of the financial case.

- 5.35. The culmination of this activity would allow a final business case for phase 1 of regeneration, including delivery of a district heating network to be submitted to Council for approval. If successful, this would allow a development agreement to be signed with a development partner and the procurement of delivery partner(s) to take forward the enabling, infrastructure and district heating network delivery.

### Procurement and risk allocation

- 5.36. In pursuing a pre-development approach based on a period of collaboration with a development partner, a procurement strategy will be implemented based on the principle that a longer-term contractual agreement may evolve from the period of collaboration. Appropriate risk management will be developed through this process seeking to allocate it on basis of ensuring value for money, expertise and market appetite. It is therefore incumbent upon the Council to engage with the market in line with its established procurement process.
- 5.37. The Council has recently undertaken two substantial procurement exercise on other development opportunities at Fountainbridge and Meadowbank which propose similar two stage type arrangements. The procurement strategy for Granton Waterfront will be developed based on lessons learnt from these recent exercises and in the context of the more challenging delivery environment of this major regeneration programme.

### Conclusion

- 5.38. As there is not yet a viable proposition for the market across the overall programme, the Council need to continue in the master developer role if the regeneration is to move forward. The key actions proposed are that the Council continue with the early action projects, funding applications and delivery where appropriate. The next stages for securing an energy partner for the programme and in the first instance, phase 1 will be progressed. A phased delivery approach that makes sense in terms of outcomes and market appetite will be taken forward with the procurement for a Phase 1 development partner or partners that may include a pre-development period as a means of adding value, ensuring co-ordination and managing risk.





# Management Case

## 6. Management Case

### Chapter summary

- A pre-development programme for phase 1 and a master programme for delivery of phases 1-4 have been developed based on the recommended delivery strategy.
- The pre-development period is assumed to run from October 2021 to May 2024 with enabling works and construction for phase 1 starting thereafter.
- During the pre-development period a number of key activities sit on the critical path to completion including appointment of a development partner, development of the district heating business case stages, securing grant funding required, obtaining detailed planning consent and assembling land.
- A risk management strategy has been developed to promote clear ownership across the programme team.
- Strong programme governance and programme management arrangements are in place.
- A benefits realisation strategy has been developed to create a framework for monitoring and evaluating benefits as each phase is delivered.
- A stakeholder management and communication plan has been developed to ensure that the regeneration programme meets the needs and expectations of the community and key stakeholders.

### Introduction

6.1. The Management Case sets out clearly how the delivery of the Granton Waterfront programme will be managed. The following items will be covered:

- Project plan (pre-development and master programme)
- Risk management
- Project management
- Benefits realisation
- Stakeholder management

## Project plan

- 6.2. The project plan comprises the pre-development programme for phase 1 and the master programme for delivery of phases 1-4. The programmes are the principal management tools used to plan, manage and monitor the key activities and milestones required to realise the completion of the various stages of the project. The programme manager is responsible for setting the main project milestones and scheduling work to achieve these.

### Pre-development programme

- 6.3. Key pre-development activities and milestones are summarised below.

#### Procurement of a pre-development partner

- 6.4. As set out in the Commercial Case, the commercial strategy considers the potential to adopt a two-stage approach to selecting a development partner with the first stage being the pre-development period. This will be a fixed period for the parties to explore a wide-ranging set of commercial and delivery options to deliver Phase 1. The project plan calls for a development partner to be appointed by May 2022.
- 6.5. The selection of the development partner is a critical path activity which will directly influence the implementation strategies selected for design and delivery of enabling infrastructure. This stage needs to take account of the delivery of the low carbon district heating network. The district heating network will be developed to Outline Business Case stage in advance of appointing a development partner. During the 12-month pre-development period, the Council will develop this to Full Business Case stage working collaboratively with the development partner to ensure co-ordination with all enabling works. After the 12-month pre-development period, a development agreement will be entered into provided the parties meet the requirements set out in the pre-development agreement. Critical to signing a development agreement will be achieving a deliverable, viable phase 1. This will likely involve the Council securing government grant funding to cover a remaining funding gap.

#### Final business case

- 6.6. A final business case (FBC) for phase one of the Granton Waterfront regeneration programme, including a low carbon district heating network will be prepared as part of the pre-development agreement with a view to securing approval by June 2023. The FBC will update the commercial strategy for phase one.

#### Land assembly – Landowners/ Occupiers

- 6.7. The project plan identifies a phased land acquisition requirement to secure the various land rights to deliver the project. Phase one requires the acquisition of land and properties on West Shore Road and West Granton Road by January 2024. It is assumed the land requirements will be secured through managing end of lease terms and private negotiation with the landowners; however, a compulsory purchase order (CPO) may be required if these negotiations are not successful. Failure or delay to secure the required

land rights within the timescales will impact programme and result in delays to infrastructure delivery.

### Planning

- 6.8. A detailed planning application will be required for phase one and will include a Transport Impact Assessment and any relevant studies regarding remediation, noise, and ecology matters. The detailed application is scheduled for submission in June 2023.
- 6.9. The Development Framework has been approved by Committee as non-statutory guidance to inform future development on the site and negates the need for a planning application in principle. Planning consent is scheduled to be secured by May 2024, allowing for a 12-month determination period. This is a critical path activity to the start on site date.

### Contract award for enabling infrastructure

- 6.10. Upon securing detailed planning consent, the next key milestone will be the contract award to deliver the enabling infrastructure. The current programme schedules the commencement of procurement of the enabling infrastructure six months from a planning application being submitted in December 2023 with contract award in May 2024. This assumes that the Council has within six months of submission of planning gained reasonable certainty over the outcome on planning to be sufficiently confident to engage with the contracting market. Any planning risk delay to this activity will directly impact on the scheduled start on site for phase one.
- 6.11. There will be a separate procurement and contract award for the delivery of the district heating network, working in parallel and aligning with the programme for delivering enabling works.

### Start on site

- 6.12. The start on site for phase one is scheduled for May 2024 which will start with the commencement of enabling infrastructure. This is expected to take 12 months and for construction of the first residential block within phase 1 by April 2025.

6.13. The key project pre-development programme milestones are summarised below:

**Table 24: Pre-Development Milestones**

Programme milestone	Date
Completion of district heating network OBC	April 2022
Procurement of development partner	May 2022
Full business case approved following pre-development period (including district heating network)	June 2023
Planning application submitted	June 2023
Development agreement award	June 2023
Land assembly complete (phase one)	Jan 2024
Planning consent secured	May 2024
Enabling infrastructure contract award	May 2024
District heating contract award	May 2024
Start on site – first residential block	April 2025

### Master programme

6.14. A master programme has been developed and is summarised below:

**Table 25: Master Programme**

Phase	Title	No. of homes	Start	Completion
Phase 1	Heart of Granton	788	May 2024	April 2028
Phase 2	Harbour Road	768	March 2026	May 2031
Phase 3	West Shore	726	June 2026	May 2033
Phase 4	Upper Granton	582	August 2031	May 2036
Total		2,864		

6.15. The total number of homes above do not include early action projects, which will see an additional 661 homes delivered between 2022 and 2026. This takes the overall number of homes delivered within Granton Waterfront to 3,525.

### Risk management

6.16. The primary objective of the risk management strategy is to identify, assess, and address potential risks and opportunities across the project lifecycle which could impact on delivery and/or inform better decision making.

- 6.17. The Granton Waterfront programme risk strategy is directed by the risk manager who leads on the risk management activities.
- 6.18. The risk management strategy has been designed to promote clear ownership across the programme team and drive a 'risk aware' culture that encourages the ongoing identification and assessment of project risk.

### Risk register

- 6.19. The risk register is a live document which captures all project risks, sets out the risk response option and actions, defines the risk mitigation plan, assesses the residual likelihood and impact, identifies any secondary risks; and assigns a risk owner and actionee.

### Risk mitigation plans

- 6.20. The assignment of mitigation plans is directed by the risk manager to the relevant risk action owner. The risk action owner has the responsibility for developing and implementing the mitigation plan.

### Financial impact

- 6.21. The risks outlined in the risk register have been costed by the project quantity surveyor with an estimate on how much cost each risk in question would add to the project should it materialise. The intention is that with the mitigation plans enacted, this value should reduce as the programme of work develops. In particular, as the pre-development agreement period elapses, the key phase and project deliverables will have had risk mitigation strategies implemented and risk levels reduced. Monte Carlo financial modelling has been carried out to allow consideration of possible extremes in risk costs.

### Risk reporting

- 6.22. As overall accountability of the project sits with the Edinburgh Waterfront Programme Board, risks will be reported vertically to the Programme Board on a regular basis with clear categorisation of where risks sit within the context of the project and the wider statutory/corporate environment.

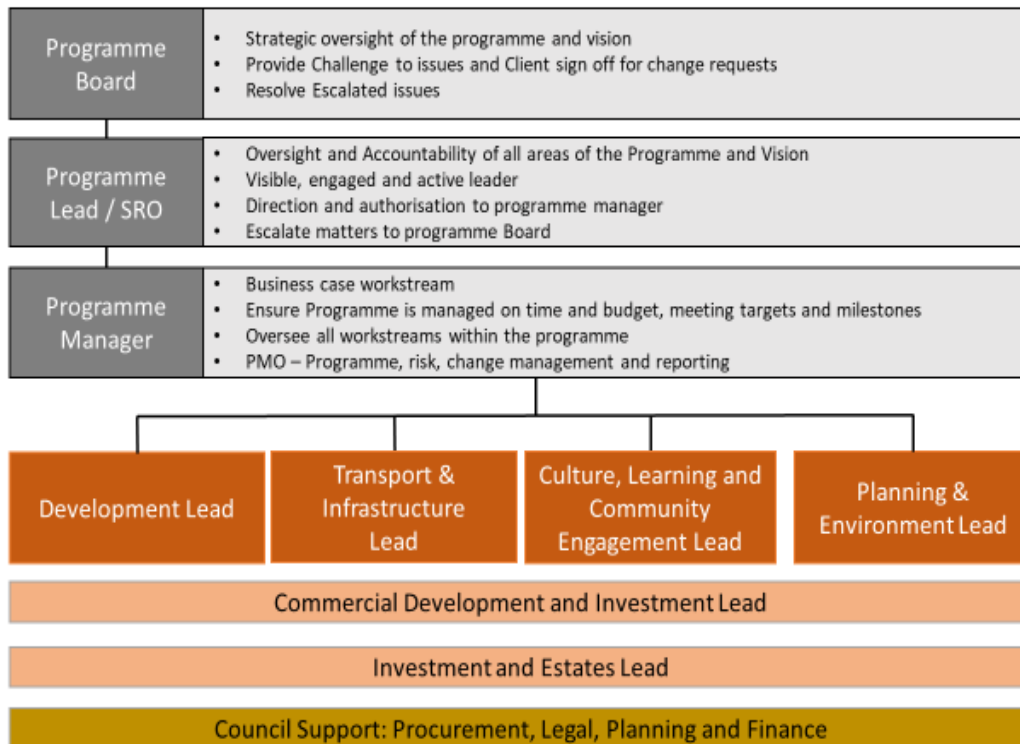
## Programme management framework

### Programme structure and roles

- 6.23. Set out below is the proposed structure for the delivery of Early Action Projects and the pre-development period which will result in a Full Business Case for phase 1.

Strategic oversight resides with the Programme Board and overall responsibility for the programme delivery with the programme lead. The day to day responsibilities reside with the programme manager.

**Fig 5: Programme Governance Structure**



### Programme governance and responsibilities

6.24. The Programme Board is chaired by the Executive Director of Place, the designated project sponsor. Key responsibilities of the Board are as follows:

- Executive / corporate decision-making group taking overall responsibility for the project on behalf of the Council;
- Ensuring that the purpose and objectives of the Granton Waterfront programme underpin the strategic direction of the Granton Waterfront Development Framework and the Council;
- Responsible for connectivity between the Council and the programme;
- Gateway approval of the business case stages;
- Monitoring progress against budget and project programme and report to the All-Party Oversight Group (APOG);
- Approval of high-level commitments and expenditures for the project;
- Approval of high-level variations;

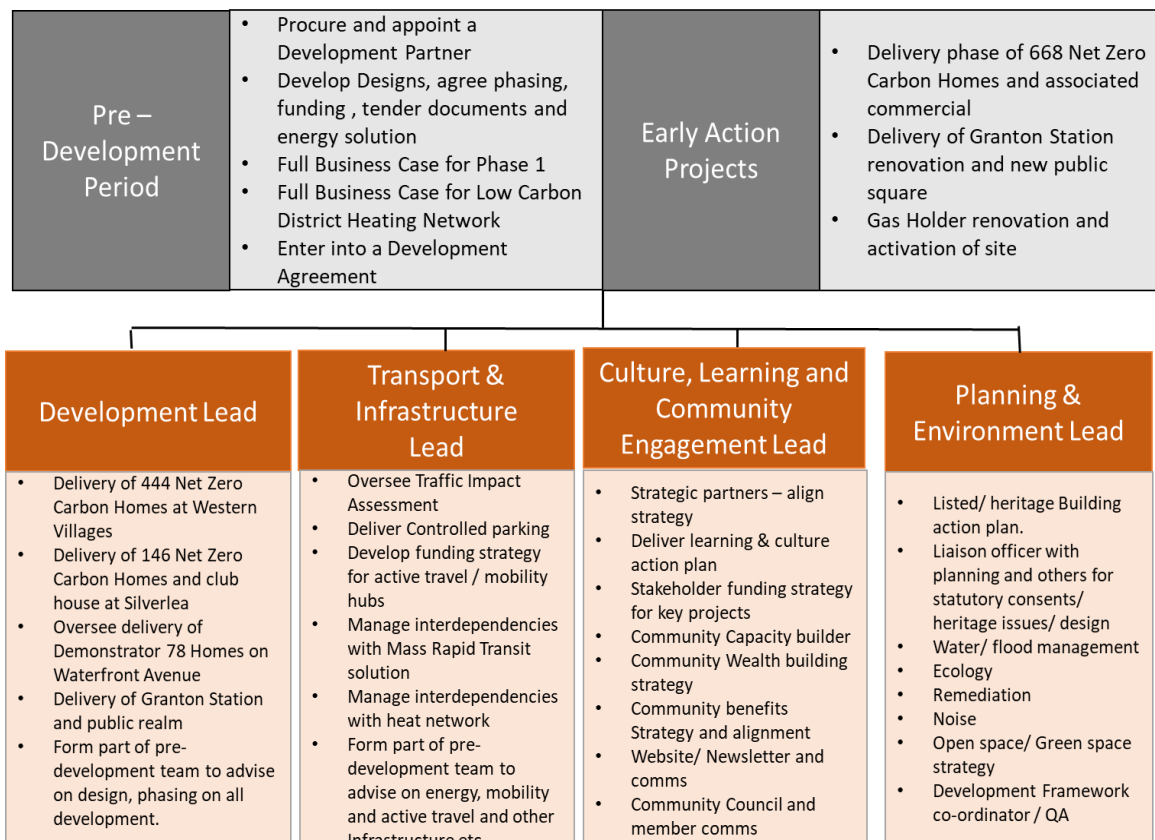
- Setting the business plan targets;
- Approval and sign off at project gateways;
- Provide sponsorship to and take overall responsibility for successful project delivery;
- Review project risks and related risk if escalated; and
- Approval of procurement decisions plus setting delegated authority limits to the programme lead.

6.25. An All Party Oversight Group was established in Oct 2018 to provide cross party political leadership of the regeneration, discuss significant issues and projects, and provide advice and guidance to officers on the implementation of decisions and monitor progress.

### Key Roles and Responsibilities

6.26. For each of the workstreams identified above, further information on core tasks are outlines below:

**Fig 6: Programme Workstreams**



6.27. The workstream leads will be supported by external advisors and Council service areas during the next stage.



## Programme administration

The meeting arrangements will be designed to support effective ongoing management and provide a clear pathway to making informed decision making. At the core of the design principles for the programme administration is a structure of meetings which bring together targeted groups to manage and report progress on different aspects of the overall programme. Ultimate programme oversight and decision-making accountability sits at Granton Waterfront Board level. The meeting structure is summarised below:

**Table 26: Meeting Structure**

Meeting	Frequency	Purpose
Granton Waterfront Board	Monthly	To drive forward all aspects of the programme in relation to funding and delivery in line with the Granton Waterfront programme.
Granton Waterfront progress meetings	Fortnightly	To advance the programme in a coordinated manner to support design progress and decision making.
Granton Waterfront programme team meeting	Every three weeks	To provide guidance, approvals and instructions to progress the programme.
Risk management workshops	Quarterly	To provide cross team input into risk identification and mitigation planning.
Risk review meetings	Monthly	Ongoing review of the status of risks identified
Value management meetings	Quarterly	Convened and led by the cost manager to drive delivery of design to budget.

## Reporting management

- 6.28. The reporting arrangements for the programme should support the most effective use of the programme meeting structure. The focus of all reporting is to issue reports to a predetermined frequency and provide a platform to track and update on how the project is performing against key milestones. A key tool employed to capture an overview on all project actions is the action tracker. This is a collaborative live document which all members of the team contribute to and includes issues/actions arising from progress meetings, actions arising from risk workshops, and schedule-driven actions required to achieve project milestones and gateways.

## Benefits realisation strategy

- 6.29. A core requirement of the programme framework and the governance of this will be to ensure that benefits are realised. This entails defining the actives to be carried out in each stage to deliver the strategic objectives. The management arrangements will build on this by defining the outputs for each phase, how these align to the strategic objectives, and the type of funding sources required.
- 6.30. A phase specific benefits management plan with clear ownership, detailed forecasting on timing and impact, and agreed measurement criteria for each activity will be developed with clear monitoring and evaluation. The Granton Waterfront Board must put in place a framework of ownership of the benefits management plan and identify key stakeholders with clear role responsibility or accountability to deliver the anticipated benefits. Finally, the benefits management plan includes a post management evaluation strategy which puts in place a process and assurance framework.

## Stakeholder management

- 6.31. Stakeholder management is a critical part of ensuring this major intervention addresses community needs and ambitions as well as maximises synergy with relevant policies and other planned investments in the area. This section sets out activities to be carried out to ensure the Granton Waterfront intervention meets the needs and expectations of the community and key stakeholders and therefore wins their support and buy-in.

### Activities

- 6.32. Activities undertaken within the stakeholder management process include:
- A stakeholder engagement and communications plan has been prepared to provide a brief on the objectives, target audience and methodology for communication and engagement;
  - Identifying activities that can empower local people;
  - Identifying key stakeholders and creating a community of “change champions” from a variety of stakeholder groups to help articulate the case for the programme and demonstrate support;
  - Deliver an impact analysis to demonstrate how the benefits case impacts the stakeholders and aligns to their needs;
  - Produce stakeholder-specific communications materials to increase awareness, create enthusiasm, and maximise buy-in; and
  - Developing a programme of culture and learning opportunities and meanwhiles uses to empower local people and build the brand.
- 6.33. A detailed stakeholder identification exercise has been carried out. These key stakeholders identified are set out below:

**Table 27: Stakeholders**

Stakeholder Type	Stakeholder	Methods of Communication
UK Government	Minister Iain Stewart MP, Under Secretary of State for Scotland	One to one / written briefings
Local Government	Kevin Stewart, MSP, Minister for Mental Wellbeing and Social Care, Champion Minister for Granton Waterfront regeneration	One to one / written briefings
Local Authority	Councillor Cammy Day, Depute Leader of the City of Edinburgh Council and Granton Waterfront Champion.  The Edinburgh Waterfront All Parties Oversight Group (APOG) was established in 2018. The membership is made up of convenorships of several Council committees and is chaired by the Depute Leader of the City of Edinburgh Council.	One to one / written briefings  Quarterly Meeting
Strategic Partners	There are six strategic public-sector partners of the regeneration:  The City of Edinburgh Council Edinburgh College National Museums Scotland National Galleries of Scotland Scottish Government Scottish Futures Trust	Memorandum of Understanding signed by all key partners  Quarterly Meetings
Internal Stakeholders	Comprising of service areas across the City of Edinburgh Council such as: Active Travel, Archaeology, Communities & Families, Culture, Education, Environmental Protection, Estates, Flooding, Forestry, Parks, Locality Offices, Transport, Planning, Road Safety, Sustainability and Waste.	Regular meetings and correspondence
Developers, Investors and Funders	Interested development partners, investors and funders.	Presentations  Road shows  Events  Discussion forums  Ad hoc meetings
External Interest Groups	Comprising of partner agencies and interested parties such as: Architecture & Design Scotland, Business Gateway, Community Renewal, Creative Scotland, Central Scotland Green Network, Lothian	Regular meetings and correspondence

Stakeholder Type	Stakeholder	Methods of Communication
	Buses, NHS Lothian, RSPB, SEPA and Sustrans.	
Local Community, Networks and Groups	Residents, businesses, public service institutions (schools, libraries and health centres), youth groups, community centres, places of worship, community support and voluntary organisations.	Community newsletter  Community events and meanwhile projects  Press releases  Digital media (website and social media).  Ad hoc meetings
Community Councils	There are six local Community Councils:  Granton and District West Pilton/West Granton Muirhouse and Salvesen Cramond and Barnton Leith Harbour and Newhaven Trinity	Regular meetings  Dedicated newsletter

### Objectives

- 6.34. The key objectives of the stakeholder engagement and communication plan are to:
- Ensure the programme addresses community needs and ambitions;
  - Maximise collaboration with key partners and stakeholders;
  - Reflect the diverse needs and backgrounds of the Granton Waterfront community;
  - Ensure that the programme benefits are valued and trusted by the people who are impacted directly;
  - Work collaboratively with the community, partners and private sector to deliver a programme of culture and learning activities and meanwhiles uses over the next 10–15 years to empower local people.

### Communication

- 6.35. The objective of communications and stakeholder activity is to generate trust and empowering local communities and stakeholders to contribute to the project. Key aspects include:
- Ensuring stakeholders are provided with up-to-date information about the project;

- Ensuring stakeholders are given appropriate opportunities to provide comment on the timing, phasing and scope of the programme;
- Ensuring consultation activities for inputting into programme design development are clear, open, accessible, and transparent;
- Managing and mitigating opposition to the project through open and transparent communication;
- Acknowledging and actively monitoring stakeholders' concerns and taking their views and interests into account in decision making;
- Developing a communications governance structure to define ownership and responsibility for communications across the programme; and
- Recognising interdependencies among certain stakeholders, taking into account their respective risks and exposures.

## Conclusion

- 6.36. A robust framework has been created to ensure that the delivery of the Granton Waterfront regeneration programme is managed in a logical and planned manner. The creation of a pre-development programme for phase 1 and master programme for the overall regeneration will ensure that key activities and interdependencies are monitored and kept on track. A comprehensive risk management strategy will ensure that potential risks to delivery are identified, assessed and addressed on an ongoing basis throughout the programme lifecycle. Strong programme governance and programme management are in place to support the delivery. Alongside this, a benefits realisation strategy has been developed to create a framework for monitoring and evaluating benefits to ensure the regeneration achieves the strategic objectives identified. A stakeholder management and communication plan has been developed so that the community and other key stakeholders are kept up to date with the delivery timescales and that their needs and expectations are met.

# 7.Way Forward

## Chapter summary

- **The Programme Delivery Plan approved in February 2020 recommended a staged delivery approach to the programme.**
- **The stage 2 activities agreed within the Programme Delivery Plan have been completed as part of the process of developing this Outline Business Case.**
- **It is recommended that the project proceeds to stage 3 – development of a Final Business Case for phase 1 of regeneration.**
- **This will maintain progress on delivery of the regeneration programme by bringing in development partner skills and expertise, developing a case for a low carbon energy solution, progressing designs, achieving further cost certainty to reduce optimism bias and creating a deliverable phase 1 that aims to secure a package of government grant funding to close any remaining viability gap.**

## Introduction

- 7.1. The Programme Delivery Plan (PDP) approved by Policy and Sustainability Committee in February 2020 recommended a staged delivery approach to the programme. This Outline Business Case represents the completion of a number of key workstreams and activities agreed as Stage 2 within the PDP.

## Review of activities completed

- 7.2. The table below sets out the key Stage 2 activities agreed by Committee along with their status. The budget for Stage 2 was £2m and the tasks have been completed within budget.

**Table 28: Stage 2 Activities**

Activity	Status	Complete
Outline Business Case development	Cost plan and financial model updated, development of procurement and funding strategy, market testing of emerging procurement strategy, social and economic appraisal carried out	✓

Activity	Status	Complete
Development and regeneration	Plot viability testing, delivery of early action housing projects progressed	✓
Enabling and Infrastructure	Remediation strategy developed, energy strategy developed, phasing strategy developed, station building refurbishment progressed, relocation strategy developed	✓
Transport	Active travel, transport and parking strategies all developed; active travel designs progressed for early action projects	✓
Culture and Learning	Steering groups established, action plans developed and early implementation, development of community benefits, social and economic appraisal carried out, development of meanwhile uses, stakeholder engagement and communications plan developed.	✓

### Stage 3 – development of Final Business Case for phase 1

- 7.3. Stage 3, which is scheduled to take approximately 20 months, is the pre-development period which will conclude in the completion of a final business case for phase 1 of the regeneration programme.
- 7.4. During this stage, a development partner will be procured, the district heating network business case stages will be progressed, and a pre-development period may be utilised to progress designs, consider commercial options for delivery of work packages culminating in a deliverable first phase of regeneration. In parallel to this, a funding and financing package will be finalised.
- 7.5. The table below sets out the recommended Stage 3 activities and the expected outcomes at the end of the stage.

**Table 29: Stage 3 Activities**

Activity	Outcome
Completion of district heating outline business case stage	A technical team of consultants, bringing in financial and legal advisors will be procured from the Council's Professional Services Framework, building in the potential to extend this to delivery of a final business case. This work will progress designs, more accurate financial modelling and a conclusion on the commercial route to secure an energy partner to deliver this.
Procurement of development partner	A procurement route is yet to be finalised but will be informed by recent strategies followed on Fountainbridge and Meadowbank. The route for these projects was a competitive procedure with negotiation. This entails extending an invitation to tender to a selected number of potential suppliers, followed by an optional negotiation period. Then a final tender prior to award.
Carry out pre-development period	A 12-month pre-development period may be utilised on appointing a development partner and prior to signing a development agreement. This stage can be useful in adding value, ensuring co-ordination and managing risk. Designs will be progressed and commercial options for delivery of phase 1 considered. The key outcome of this activity would be a viable and deliverable phase 1 of regeneration.
Completion of district heating final business case stage	Using an extension of the consultant team who have delivered the district heating outline business case stage, designs will be finalised, and a delivery partner sought to enter into commercial arrangements to deliver a low carbon energy solution.
Finalise funding arrangements	Throughout the pre-development period, the programme team will continue to monitor the funding gap on phase 1 of regeneration and pursue the strategy set out in the finance case. Through working with the development partner and securing government and other external funding as necessary, a viable and deliverable phase 1 of regeneration can be achieved.
Implement stakeholder engagement and communications plan	The stakeholder engagement process will run continuously throughout the life of the programme.



## Estimated costs

- 7.6. Based on an analysis of the key activities required, an estimation of the costs to complete Stage 3 of the programme to completion of final business case for phase 1 of regeneration has been produced. This is summarised below over the key cost elements.

**Table 30: Key Stage 3 Costs**

Element	Budget (£m)
Programme Team resources (Council team and external advisors for specialist workstreams)	£0.9m
Technical team for delivery of district heating outline and final business case stages; and Potential pre-development period costs – funding development partner activity before development agreement is signed	£3.7m

- 7.7. As the HRA is a key stakeholder and landowner at Granton, the costs set out above will be funded from the HRA revenue budget. An element of the cost represents front funding from the HRA to allow the development of a proposed phased delivery of regeneration and new social and other affordable homes to progress. A key outcome of stage 3 is securing a funding and financing package to ensure a first phase of regeneration is viable and deliverable. Securing this will allow the HRA to benefit from front funding through the realisation of capital land receipts and government grant funding over the period of the approved project.
- 7.8. Gateways are built into the stage 3 process to ensure that the viability and deliverability of a first phase of regeneration is tested at key points in the development process. This will ensure that progress to achieve the key outcomes as set out in table 30 is monitored at specific intervals whilst minimising the risk of abortive costs being incurred.

## Recommendation

- 7.9. It is recommended that the programme proceeds to Stage 3 as described above.
- 7.10. Based on the overall viability gap of the programme, proceeding to stage 3 and developing a Final Business Case for phase 1 of regeneration will progress delivery by:
- Aiming to develop a first phase of regeneration that is viable and deliverable through the expertise and skills of a development partner and through securing government grant funding

- Allowing development of design to achieve further cost certainty so that optimism bias can be reduced, and viability can be tested
- Developing a case for a low carbon energy solution that can form a key part of enabling infrastructure and which can attract low carbon grant funding; and
- Potentially utilising a pre-development period to add value, ensure co-ordination and manage risk.



## Appendix 2: Early Action Projects

In parallel with delivering the OBC, early action projects have been progressing to accelerate delivery of around 661 Council led homes, key amenities and enhanced connectivity as outlined below.

### New Homes

[Planning permission](#) has been secured for 444 homes at Western Villages which will deliver social (195), mid-market rent (62), market rent (63) and homes for sale (124) tenures. At least 20% of the homes will be three bedroom or above to cater for mixed family groups and 10% of the social rented properties will be provisioned for those who are physically disabled or wheelchair users. All homes will achieve net zero carbon through a combination of measures including; producing renewable energy on site, increased insulation and build quality to reduce heat loss and no use of fossil fuels with heat pumps being used to increase the efficiency of the energy used for space heating and hot water. It is expected construction will start in Spring 2022.

Western Villages includes a significant active travel infrastructure upgrade in the form of a 3m wide fully segregated bi-directional cycle track along the eastern/southern side of Marine Drive and West Shore Road linking Gypsy Brae, Forthquarter Park and the Western Villages development with the North Edinburgh Active Travel Connection improvements at Pennywell Road Roundabout. Also included are improvements to the pedestrian infrastructure along the route including additional active travel links to Forthquarter Park and crossing infrastructure for both pedestrians and cyclists at key locations. Sustainable urban drainage (SUDs) infrastructure will be implemented along the route where possible and will include landscaping improvements, most notably to the boundary of Forthquarter Park with West Shore Road.

Design work is underway to deliver around 142 affordable net zero homes at the former Silverlea care home site, 91 of the homes will be for social rent with the remaining 51 for mid market rent. 35 of these homes will be for those who are physically disabled or wheelchair users. Construction is expected to start in August 2022. New facilities for Craigmoynton Community Youth Football Club will also be provided as part of the redevelopment alongside improved walking and cycling connections.

Within Granton, around 75 homes for rent will be delivered on a site to the rear of Granton Station building. These homes will be used as a pilot for the Edinburgh Homes Demonstrator (EHD) Programme and will deliver social (37), mid-market rent (19) and market rent (19). The EHD Programme aims to develop a new housing delivery model, specifically a method of design, construction and delivery that is based on off-site construction and will deliver net zero carbon homes. The programme aims to streamline housing design and construction for both the benefit of the Council's house building programme as well as those of the Edinburgh and South East Scotland City Region Deal (ESESCRD) partners. The homes at D1 will be used to evaluate the net zero carbon design at the completion and occupancy phase by using a series of monitoring and evaluation metrics. The development will contain an air source heat pump network as well as an underground refuse system and minimum parking as well as sustainable drainage system. It is expected construction will start in Spring 2022.

## Registered Social Landlord (RSL) Partners

In addition to the Council led homes, RSL partners have recently completed or have under development around 864 homes on Granton Harbour and Waterfront Avenue. Over 700 of these homes are for affordable rent, helping meet Edinburgh's target to deliver 20,000 affordable homes by 2027 while creating an accessible high-quality place for people to live and enjoy.

### Bringing assets back to life

On [4 March 2021](#) Finance and Resources Committee agreed the appointment of Kier Construction Ltd to carry out the restoration of Granton Station, an Edwardian B-listed building in the heart of Granton Waterfront into a high-quality creative workspace. The project is part-funded through Scottish Government Regeneration Capital Grant Funding and Town Centre Funding. The restoration commenced in June 2021 and will include the creation of a public square for community events and recreation to be enjoyed by residents and visitors to the area. Work will conclude in spring 2022.

On [12 August 2021](#), Finance and Resources Committee approved a 25 year lease of Granton Station to Wasps Ltd. Wasps is a charity specialising in providing studio and workshop space for artists in Scotland. Founded in 1977, Wasps now operates more than 20 buildings across Scotland, providing workspaces for approximately 900 artists. It is the largest provider of affordable studio space in the UK. Wasps has previously brought several historic buildings back into use as creative workspaces, for example the Meadow Mill former jute mill in Dundee. The future use of the building and new public square will secure a people centred approach to economic development, supporting up to 40 jobs per annum and providing both indoor and outdoor space for community events.

The Granton Gas Holder has been an iconic fixture on Edinburgh's waterfront for more than a century. It is a category A listed structure and is a much-loved local landmark. One of the first early action projects in Granton has been the illumination of the Granton Gas Holder with a creative light show each evening to signify the regeneration of the Granton area. The project was launched on 19 May 2021 and the gas holder will be illuminated for a period of up to two years.

The project is a collaboration between the City of Edinburgh Council and Edinburgh College. Creative lighting design company 21CC Productions was appointed to transform the gas holder into one of Scotland's biggest works of art. As well as being an exciting work of art, the project is operating as a practical training opportunity for students across the College's Creative Industries faculty. The students are working alongside 21CC Productions to create and operate the lightshows and are gaining practical experience, using some of the newest technology available, thus creating an opportunity to turn theory into practice across key industry sectors including theatre, media, marketing, lighting design, sound production and photography. The lighting sequence will change each month with themed 'events' for special dates such as festivals. Community groups will be invited to suggest themes for lighting events.

On the [20 May 2021](#), Finance and Resources Committee approved the purchase of the ground interest at 20 West Shore Road and a 15 year lease of the property to Edinburgh Palette. Edinburgh Palette is a social enterprise and charity who are seeking to transform this former warehouse into a creative enterprise hub.

On the [20 May 2021](#), Finance and Resources Committee approved a 25 year lease of the land at Lauriston farm to Edinburgh Agroecology Co-op CIC. The project will initially focus on creating a market garden, building the projects infrastructure, rewilding areas and working to engage the community in activity. There is a strong focus on working towards net zero in line with the wider vision for the area and city.

### **A Culture Strategy for Granton Waterfront**

In June 2020, The Edinburgh Waterfront board agreed and published [A Culture Strategy for Granton](#), which was prepared in collaboration with partners. The aim of this is to create a place-based strategy for the Granton redevelopment in response to an ambition to deliver culture led regeneration. The strategy seeks to improve the health, wellbeing, prosperity and quality of life of people who live in, work in and visit north Edinburgh; as well as supporting the local economy through attracting increased visitors and new residents to the area.

In January 2021, a Steering Group was established bringing together key strategic partners, anchor cultural organisations working in the area and specialist advisors to oversee implementation of actions set out within the Strategy. The membership includes: City of Edinburgh Council, Edinburgh College, NGS, NMS, Edinburgh Health and Social Care Partnership, North Edinburgh Arts and Creative Carbon Scotland.

Early actions in this workstream have included the illumination of the Granton Gas Holder – a two-year collaborative project with Edinburgh College - and the refurbishment of Granton Station into a new creative workspace, due to open in 2022.

### **A Learning Strategy for Granton Waterfront**

In June 2020, The Edinburgh Waterfront board approved and published [A Learning Strategy](#) for Granton. The aim of this Strategy is to create a place-based learning Strategy for the Granton redevelopment and surrounding communities. The overarching themes of the Strategy are to:

- Improve the environment for learning;
- Create more diverse pathways into and through learning;
- Create better connected experiences; and
- Raise the levels of ambition and the range of opportunities.

The delivery of this Strategy is now part of a pilot for a city-wide initiative – ‘Edinburgh Learns for Life’ – which is seeking to transform how learning is delivered in the city.

In January 2021, a Steering Group was established bringing together key learning partners working in the area including; the City of Edinburgh Council, Edinburgh College, Craigroyston High School, St David’s R.C. Primary School to represent all local primary schools, NGS, NMS and the Capital City Partnership.

An early action of this workstream has been the development of an artist-led consultation with learners across all ages who live, work and study in North Edinburgh about their learning experience, interests, passions and ambitions. The aim of the project is to meaningfully engage communities to better establish how local learning provision (including the curriculum offer) can better respond to and reflect local needs as we emerge from the coronavirus pandemic.

## **Strategic Partners**

Alongside delivery of the key strategy documents above, the Council's strategic partners are also delivering key assets within Granton.

Within 'The Art Works', a new proposed facility at Granton Waterfront, NGS will host the country's internationally significant art collection and become Scotland's largest building designed to Passivhaus standard. Access and inclusivity are central to its purpose. The Art Works will be a key cultural venue for the Granton community and the wider area, with multi-purpose spaces available for all kinds of local events and gatherings, in addition it will attract and be a focus for collection researchers from across the Scotland, the UK and internationally.

NMS is planning further new buildings and facilities at the NMS Collection Centre in Granton Waterfront which will include a new visitor centre.

A new active travel route will link West Granton Road and surrounding communities with these new facilities. Side by side, NGS and NMS collections with their tens of millions of treasured objects will offer an unprecedented bringing together of national art and culture for local and international visitors alike.

In addition, a revitalised Edinburgh College campus will provide a strong foundation on which to build on their current construction centre of excellence, providing training in modern methods of construction and technologies aimed at the transition to net zero.

## **Sustainable Transport and Active Travel**

On [19 August 2021](#), Committee approved proposals to investigate, prepare initial designs and consult residents on appropriate parking controls for the Granton Waterfront Development Area. It is anticipated that a form of car parking control and regular enforcement will be required to support modal shift and the maximum car parking level of 25% (one space for every four residential units) as set out in the Granton Waterfront Development Framework. Parking Controls will also ensure that any impact from overspill car parking is minimised, particularly for existing residents in the surrounding streets. The outcomes of this consultation will be reported back to a future committee.

Public transport to and from Granton through new and existing services amendments (increase service frequency, reduce journey times and integrate routes through development area) will also be explored and implemented where possible. This will include two mass transit route options linking Granton with the City Centre which are currently being assessed and Council officers have been liaising to ensure the analysis is consistent with objectives for Granton and ties in with the Granton transportation study undertaken as part of this OBC process.

The first alignment follows West Granton Access Road from Ferry Road to Caroline Park. This option is the existing safeguarded route and provides a direct and segregated tram and parallel high-quality active travel route. From the southerly tip of the West Granton Access Road, two options are being analysed. The first ties in with the existing tram line at Roseburn and then follows the Roseburn Path from the A8 to Ferry Road, west of Crewe Toll. The alignment is fully segregated, following an old railway track bed, and now an active travel corridor and part of National Cycle Network route 1. The alignment is the

safeguarded route for transit with existing parliamentary powers in place for Tram. The second route option ties in with the existing tram line at Shandwick Place at the west end of Princes Street and assumes an on-street route following Queensferry Road, Orchard Brae and Crewe Road South.

It is anticipated that an emerging preferred route for mass transit, between Granton and the city centre, will be available at the end of 2021, with consultation on the emerging route taking place in early 2022. Liaison with the mass transit study team will continue to ensure a joined-up approach to the development of both programmes.

The vision, principles and Development Framework for Granton Waterfront established guidelines to ensure future development also align with the Scottish Government's Place Principles and '20-minute neighbourhood' concept. By creating a place that meets everyday needs, numerous benefits will be realised, including a reduction in the need to travel. The introduction of shared mobility (car club and bike hire) and mobility hubs will also help with modal shift and realising the benefits that come with this.