

Policy and Sustainability Committee

10.00am, Tuesday 21 March 2023

City Strategic Investment Fund – allocations

Executive/routine Wards Council Commitments	Executive All
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1. Recommendations

- 1.1 It is recommended that Committee:
 - 1.1.1 Agrees to allocate monies from the City Strategic Investment Fund (Strategic Programme Fund) as set out in this report;
 - 1.1.2 Agrees to allocate monies from the City Strategy Investment Fund (Loan Fund) as set out in this report; and
 - 1.1.3 Refers this report to the City of Edinburgh Council for final approval.

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Executive Director of Place

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City Strategic Investment Fund – allocations

2. Executive Summary

- 2.1 This report provides an update on the City Strategic Investment Fund (CSIF) and seeks approval to: adjust the allocations in the CSIF Strategic Programme to further advance the business case for the North/South Tram Line (ESSTS2); and allocate CSIF Loan Fund money to the Powderhall Stables block project.

3. Background

- 3.1 On [7 February 2013](#), the Council approved the creation of the CSIF to “create new development opportunities, support business innovation, deliver jobs and promote economic growth in Edinburgh”. It was established as an evergreen fund which provides debt and equity finance for projects delivering a return on investment. The Council agreed to capitalise the CSIF with £7.5m. An investment strategy for the fund was agreed by the Economy Committee on [29 April 2014](#). On [7 June 2018](#), updated repayment terms for the CSIF were agreed by the Housing and Economy Committee.
- 3.2 At the Policy and Sustainability Committee meeting, on [25 October 2019](#), a new strategy for the use of the CSIF was agreed, which was endorsed by Council on 21 November 2019. This strategy entailed separating the CSIF into a non-repayable “Strategic Programme” element; a non-repayable match funding element; and a loan fund element. The Council also agreed to move £902,084 of the CSIF into unallocated reserves.
- 3.3 At the Policy and Sustainability Committee meeting, on [22 February 2022](#), the following latest allocations for the Strategic Programme element were agreed:

Programme	Allocation
Edinburgh Waterfront	£604,658
Edinburgh BioQuarter	£500,000
West Edinburgh	£345,000
Edinburgh Strategic Sustainable Transport Study Phase 2 (ESSTS2)	£320,000
Data Driven Innovation	£200,000

Seafield	£130,000
Heat and Energy Study	£50,000
Unallocated	£342
Total	£2,150,000

4. Main report

Strategic Programme

- 4.1 The current balance of each programme within the Strategic Programme element is summarised in the table below:

Programme	Allocation	Drawdowns	Balance
Edinburgh Waterfront	£604,658	£604,658	£0
Edinburgh BioQuarter	£500,000	£326,467	£173,533
West Edinburgh	£345,000	£0	£345,000
ESSTS2	£320,000	£320,000	£0
Data Driven Innovation	£200,000	£0	£200,000
Seafield	£130,000	£0	£130,000
Heat and Energy Study	£50,000	£0	£50,000
Unallocated	£342	£0	£342
Total	£2,150,000	£1,251,125	£898,875

- 4.2 The following sections provide a short update on each of these programmes with proposed revisions regarding the use of the CSIF Strategic Programme money.

Edinburgh Waterfront

- 4.3 £604,658 was allocated to the Granton Waterfront regeneration project to fund project management costs during the planning stage of the project, leading to the finalisation of an outline business case. This work is now well underway, and £600,000 of this allocation has been drawn down to support this work.
- 4.4 The remaining £4,658 has been drawn down in support of the strategic business case for Edinburgh Strategic Sustainable Transport Study 2 (ESSTS2) given the importance of strategic public transport solutions for the future of the Granton Waterfront, as set out in the report to Policy and Sustainability Committee of [23 February 2021](#).

Edinburgh BioQuarter

- 4.5 £500,000 was allocated from the CSIF for Edinburgh BioQuarter. £220,395 of this has been drawn down to date to support the procurement of a private sector partner for the future mixed-use development of Edinburgh BioQuarter.
- 4.6 A further £106,072 has been drawn down in support of the strategic business case for ESSTS2 given the importance of strategic public transport solutions for the future of Edinburgh BioQuarter, as set out in the report to Policy and Sustainability Committee of 23 February 2021.
- 4.7 The current balance of the Edinburgh BioQuarter allocation is £173,533. It is estimated that the remaining costs to the Council associated with the

procurement of the private sector partner are £216,000. Given this, it is recommended that the Edinburgh BioQuarter allocation be increased by £42,467 to £542,467.

West Edinburgh

- 4.8 £345,000 was allocated to West Edinburgh for the development of a business case for future infrastructure provision in this area. None of this money has been drawn down to date.
- 4.9 The Council has worked with the Scottish Government, Scottish Futures Trust, and Scottish Enterprise to prepare a spatial strategy for the future development of West Edinburgh. Further work to build upon this strategy will be required to help bring forward the delivery of the infrastructure required for the future development of West Edinburgh. Given this, it is recommended that the allocation to West Edinburgh be held at £345,000 at this time.

ESSTS2 (Tram North/South)

- 4.10 £320,000 was allocated for EESTS2. This has been fully drawn down, supplemented by £110,730 drawn down from the Edinburgh Waterfront and Edinburgh BioQuarter budgets as set out at paragraphs 4.4 and 4.6. This funding has been utilised to prepare key stages of a draft strategic business case (SBC) for ESSTS2.
- 4.11 A cost has now been provided for the completion of the SBC and an additional £350,000 is sought for this purpose.

Data Driven Innovation (DDI)

- 4.12 £200,000 was allocated for Data Driven Innovation. None of this has been drawn down to date.
- 4.13 Work on Data-Driven Innovation has progressed in recent years via the Edinburgh and South East Scotland City Region Deal with the Council working with the University of Edinburgh.
- 4.14 The programme is now well established and funding streams for the continuation of this work have been put in place by the University of Edinburgh. The £200,000 is no longer needed and as such can be released back to the fund.

Seafield

- 4.15 £130,000 was allocated for the production of a Development Framework for the regeneration of the Seafield area.
- 4.16 Subsequent to the above allocation being made, the Council has secured funding from the Scottish Government for this workstream, while the Finance and Resources Committee (on [26 January 2023](#)) agreed to the utilisation of Scottish Crown Estate net revenue allocations towards this workstream. This leaves a relatively small residual cost which it is anticipated can be met from existing revenue budgets. Given this, it is considered that the £130,000 is not required as this time and can be released back to the CSIF.

Heat and Energy Study

- 4.17 £50,000 was allocated for the production of a heat and energy study. None of this has been drawn down to date.
- 4.18 It is now considered that this work can be incorporated into the ongoing work to prepare a Local Heat and Energy Efficiency Strategy (LHEES) for Edinburgh, for which ring-fenced funding is available. Given this, it is considered that the £50,000 is not required as this time and can be released back to the CSIF.

Updated allocations

- 4.19 Based on the above considerations, the below revised allocations from the CSIF are proposed. These leave the unallocated balance at £2,875.

Programme	Allocation	Change	Drawdowns	Balance
Edinburgh Waterfront	£604,658	n/a	£604,658	£0
Edinburgh BioQuarter	£542,467	TBC	£326,467	£216,000
West Edinburgh	£345,000	n/a	£0	£345,000
ESSTS2	£655,000	+\$335,000	£320,000	£335,000
Data Driven Innovation (DDI)	£0	-\$200,000	£0	£0
Seafield	£0	-\$130,000	£0	£0
Heat and Energy Study	£0	-\$50,000	£0	£0
<i>Unallocated</i>	<i>£2,875</i>	<i>n/a</i>	<i>n/a</i>	<i>£2,875</i>
Total	£2,150,000		£1,251,125	£898,875

Loan funding element

- 4.20 The CSIF Loan Fund currently has two outstanding loans: £2,141,488 to fund the development of the East Hermiston Business Park (of which £1,367,913 is outstanding) and £290,000 to fund the refurbishment of Powderhall Stables (all of which is outstanding). The cash balance of the Loan Fund as of 1 April 2023 will stand at £435,342.
- 4.21 The East Hermiston Business Park development was completed in 2017 and repayment of the loan is now underway at a rate of £145,000 per annum.
- 4.22 The Powderhall Stables refurbishment commenced in 2021 and is now largely complete. On [10 November 2022](#), the Finance and Resources Committee agreed to lease Powderhall Stables to the charity Out of the Blue.
- 4.23 Final completion of the project and handover to the tenant has been delayed due to challenges in making the various utility connections. Due to the overrun of the project and other financial pressures, the project cost has risen. While the Council has been successful in securing additional financial contributions towards the project from various external bodies, it is forecast that there will be a residual budget pressure for the Council.
- 4.24 It is therefore proposed that the finance available to the Powderhall Stables project be increased from £290,000 to a maximum of £725,342, utilising the funds available in the CSIF Loan Fund. This loan would be repaid utilising the rental income from Powderhall Stables upon its completion.

5. Next Steps

- 5.1 The Committee will continue to receive information on development proposals, match funding applications and proposed resource allocation to strategic development priorities as these emerge, for approval.

6. Financial impact

- 6.1 Proposed revised allocations of the Strategic Programme element of the CSIF are set out at 4.19. The overall total remains unchanged.
- 6.2 The loan facility available to the Powderhall Stables project is proposed to be increased from £290,000 to a maximum of £725,342, utilising recycled funds. This loan will be repaid using rental income from Powderhall Stables once it is completed and occupied by the tenant.

7. Stakeholder/Community Impact

- 7.1 None.

8. Background reading/external references

- 8.1 None.

9. Appendices

- 9.1 None.