

City of Edinburgh Council

10.05am, Thursday, 26 September 2024

City Strategic Investment Fund – reallocation of funds to Edinburgh Waterfront programme - referral from the Finance and Resources Committee

Executive/routine
Wards

Executive
4 - Forth

1. For Decision/Action

- 1.1 The Finance and Resources Committee has referred a report on the City Strategic Investment Fund to the City of Edinburgh Council for approval for the reallocation of £445,525.84 of the Strategic Programme element, of the City Strategic Investment Fund (CSIF) from the BioQuarter and West Edinburgh programmes to the Edinburgh Waterfront programme to support the delivery of Granton Waterfront Phase 1, Final Business Case (FBC).

Dr Deborah Smart
Executive Director of Corporate Services

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Referral Report

City Strategic Investment Fund – reallocation of funds to Edinburgh Waterfront programme - referral from the Finance and Resources Committee

2. Terms of Referral

- 2.1 On 19 September 2024, the Finance and Resources Committee considered a report by the Service Director for Sustainable Development, which responded to an addendum agreed at Policy and Sustainability Committee on 28 May 2024.
- The report provided further details on proposals to reallocate £445,525.84 within the Strategic Programmes element of the City Strategic Investment Fund (CSIF) to the Edinburgh Waterfront programme.
- 2.2 The report also provided details of additional expenditure requirements for Granton Waterfront.
- 2.3 The Finance and Resources Committee agreed:
- 2.3.1) To agree to reallocate £445,525.84 of the Strategic Programme element of the City Strategic Investment Fund (CSIF) from the BioQuarter and West Edinburgh programmes to the Edinburgh Waterfront programme to support the delivery of Granton Waterfront Phase 1, Final Business Case (FBC).
- 2.3.2) To refer the report to the City of Edinburgh Council for approval.

3. Background Reading/ External References

- 3.1 [Finance and Resources Committee – 19 September 2024 - Webcast](#)
- 3.2 Minute of the Finance and Resources Committee – 19 September 2024

4. Appendices

Appendix – Report by the Service Director for Sustainable Development

Finance and Resources Committee

10.00am, Thursday, 19 September 2024

City Strategic Investment Fund – reallocation of funds to Edinburgh Waterfront programme

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4 – Forth

1. Recommendations

1.1 It is recommended that Committee:

- 1.1.1 Agrees to reallocate of £445,525.84 of the Strategic Programme element of the City Strategic Investment Fund (CSIF) from the BioQuarter and West Edinburgh programmes to the Edinburgh Waterfront programme to support the delivery of Granton Waterfront Phase 1, Final Business Case (FBC); and
- 1.1.2 Refers this report to the City of Edinburgh Council for approval.

Peter Watton

Service Director, Sustainable Development

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City Strategic Investment Fund – reallocation of funds to Edinburgh Waterfront programme

2. Executive Summary

- 2.1 This report responds to an [Addendum](#) agreed at Policy and Sustainability Committee on 28 May 2024, requesting that a report be brought to Finance and Resource Committee providing further detail on proposals to reallocate £445,525.84 within the Strategic Programmes element of the City Strategic Investment Fund (CSIF) to the Edinburgh Waterfront programme.

3. Background

- 3.1 On 25 October 2019, Policy and Sustainability Committee agreed a new strategy for the use of the [CSIF](#); the Council on 21 November 2019 endorsed the strategy. It was agreed that £2.15m of the CSIF should be set aside to support delivery of the Council's strategic regeneration priorities, which include Edinburgh Waterfront. This £2.15m is divided amongst various programmes, with the specific allocation of funds to each programme being adjusted as needs dictate.
- 3.2 On 25 February 2020, Policy and Sustainability Committee was asked to [note](#) that £604,658 (from the £2.15m available to support delivery of the Council's strategic regeneration priorities) was [allocated](#) to Granton Waterfront regeneration by Finance and Resources Committee on 6 December 2019 to deliver the Outline Business Case (OBC). This funding was subsequently drawn down for this purpose.
- 3.3 On 5 October 2021, Policy and Sustainability Committee approved the findings of the [Granton Waterfront Regeneration Outline Business Case](#) and agreed for the activities to be carried out to produce a Final Business Case (FBC) for Phase 1 'Heart of Granton'. This included procurement of a development partner and progression of the business case stages for a low carbon heat network. £4.6m was allocated to complete this stage of the programme, funded from the Housing Revenue Account (HRA) revenue budget.

- 3.4 On 28 May 2024, an [update](#) in the form of a business bulletin was presented to Policy and Sustainability Committee on progress towards delivering Granton Waterfront Phase 1 FBC, setting out next steps to completion.
- 3.5 A [report](#) was presented on 28 May 2024 to Policy and Sustainability Committee providing a further update on the CSIF and seeking agreement to reallocate unspent monies within the £2.15m Strategic Programmes element of the CSIF. The proposal entailed reallocating £445,525.84 of funds from the BioQuarter and West Edinburgh programmes that are no longer required at this time to the Edinburgh Waterfront programme.
- 3.6 Policy and Sustainability Committee requested a report be prepared for Finance and Resources Committee, setting out the additional expenditure requirements for Granton Waterfront.

4. Main report

- 4.1 The Granton Waterfront regeneration will create a new coastal town, home to around 8,000 people, in north Edinburgh. It will deliver around 3,500 net zero carbon homes, a low carbon heat network, a primary school, a health centre, commercial and cultural space, and a 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. This programme of regeneration will be delivered in four distinct phases.
- 4.2 Cruden Homes (East) Ltd was appointed as the Granton Waterfront Phase 1 development partner in January 2023.
- 4.3 On 17 June 2024, a [detailed planning application](#) for Phase 1 was submitted. Phase 1 will deliver around 840 net zero homes, capacity for a new primary school and low carbon heat network, commercial units, active travel routes and other sustainable transport infrastructure as well as public realm and open space. Around 45% of the homes will be of affordable tenure.
- 4.4 The challenges associated with delivering this complex regeneration project have resulted in an increase of around 12 months to the original programme of pre-development activities from that reported to Policy and Sustainability Committee in October 2021.
- 4.5 The proposed increase in the allocation to the Edinburgh Waterfront programme of £445,525.84 is required to fund the internal Granton Waterfront team staffing costs for an increased 12-month period, from June 2024 to June 2025. The internal team is comprised of seconded staff and one fixed-term contract. During this period, the team will work alongside the project's development partners to support and carry

out further pre-development works, including finalising the decontamination strategy based on contractor input, securing all statutory consents, design development to RIBA 4, procuring of work packages, finalisation of cost plan and price, negotiation and agreement of the suite of contractual documentation including concession and development agreements, and identifying a package of funding to close the viability gap. This will enable the completion of Final Business Cases for both Phase 1 and the low carbon heat network.

- 4.6 Following the completion of pre-development activities, a report will be presented to a future Committee seeking approval of the FBC and authority to enter the delivery element of Phase 1. It is anticipated that construction will commence in Summer/ Autumn 2025 and that this initial phase of regeneration will complete by the end of 2031.

5. Next Steps

- 5.1 If Committee agrees to the reallocation of £445,525.84 from the strategic regeneration priorities element of CSIF to Edinburgh Waterfront, over the coming months to June 2025 this funding will support the team to deliver the pre-development works to deliver the FBC for Phase 1 of Granton Waterfront. This funding will also support the delivery of the FBC for the Granton Waterfront Heat Network and continued support for the team to deliver the early action projects which will bring an additional 662 net zero homes for sale and rent, many of which are currently being let, completion of gasholder park and development of the wider placemaking projects.
- 5.2 In the event that the full £445,525.84 is not required by the Edinburgh Waterfront programme, these funds will remain within the CSIF for the use of other Strategic Programmes.

6. Financial impact

- 6.1 The budget for funding the pre-development activities to FBC production is £4.6m. These costs are funded by the Housing Revenue Account revenue budget.
- 6.2 The challenges associated with delivering this complex regeneration project have resulted in an increase of around 12 months to the original programme of pre-development activities. As such, costs in relation to funding the internal Granton Waterfront Team staffing costs for an increased 12-month period, from June 2024 to June 2025 cannot be contained within this £4.6m budget allocation. It is therefore proposed that £445,525.84 from the Strategic Programmes element of the CSIF is reallocated from the BioQuarter and West Edinburgh programmes to the Edinburgh Waterfront programme to fund this cost. The overall total of the Strategic Programmes element remains unchanged; there is no net financial impact.

- 6.3 If the reallocation is not agreed, these pressures will require to be met from the Housing Revenue Account (HRA), with a knock-on impact upon the ability of the HRA to carry out other projects.

7. Equality and Poverty Impact

- 7.1 The proposed revised allocations of the CSIF will concentrate resource on the Edinburgh Waterfront programme, which is centred on the regeneration of Granton Waterfront Phase 1, delivering around 840 net zero homes, capacity for a new primary school and low carbon heat network, commercial units, active travel routes and other sustainable transport infrastructure as well as attractive public and open space. Around 45% of the homes will be of affordable tenure. The revised allocations will help deliver this regeneration, thus alleviating poverty associated with housing costs.

8. Climate and Nature Emergency Implications

- 8.1 The design of the homes will be net zero carbon with enhanced building fabric and climate resilience features including rain gardens.
- 8.2 The development will promote low car ownership with 25% parking, secure cycle parking, active travel links and easy access to public.
- 8.3 Granton Waterfront is a former industrial brownfield site which will necessitate a robust remediation plan to eliminate any impact on the surrounding community to improve the overall biodiversity. Healthy mature trees will be protected and incorporated into the development with many more planted as part of Phase 1.
- 8.4 Sustainable drainage methods will be used to make the site resilient to flooding while utilising native planting to boost local biodiversity.

9. Risk, policy, compliance, governance and community impact

- 9.1 The Granton Waterfront Phase 1 masterplan has been produced in collaboration with the community and key local stakeholders. A detailed planning application has been submitted in June 2024 and the team are currently undertaking further consultation on the wider programme of activities.
- 9.2 There are no adverse equalities, health and safety, governance, compliance or regulatory implications arising from this report.
- 9.3 The construction of the new homes will improve the housing opportunities in the area for those on low to moderate incomes as there will be a minimum of 35% affordable homes. The homes will include 10% wheelchair accessible flats to meet tenants' changing needs.

- 9.4 The houses will be highly insulated and energy efficient meaning they require less energy to heat and therefore reducing living costs for tenants.
- 9.5 The construction of the new public realm and active travel routes is expected to deliver significant benefits in terms of health and wellbeing, social cohesion, and placemaking objectives of the wider regeneration of the area.
- 9.6 The construction contract for these homes brings with them a broad range of community benefits such as local jobs, education, training, support for local initiatives and improvements to local infrastructure.
- 9.7 The construction of these homes contributes to the strategic priorities set out in the Council's Business Plan. It will contribute to objectives:
- 9.7.1 [4] People can access public services locally and digitally in ways that meet their needs and expectations and contribute to a greener net zero city;
- 9.7.2 [4d] Deliver Council led infrastructure investments, policies and strategies that enable Edinburgh's transition to a net zero city; and
- 9.7.3 [5a] People have decent, energy efficient, climate proofed homes they can afford to live in [...] Increase supply of affordable housing with an ambition to reach 25,000 new affordable homes.
- 9.8 The main risk to the project is the ongoing economic situation and its impact on the affordability of the development. This risk is being addressed through the next phase of the pre-development works to include further detailed design and cost certainty based on tendered packages. The form of contract will seek to fix costs and protect the Council from further inflationary pressures during the construction phase.
- 9.9 The Council has appointed a third-party principal designer who is responsible for planning, managing, and monitoring the pre-construction phase of the project. They will work with other designers, contractors, and the Council to consider the health and safety risks, and plan how to eliminate or control them.

10. Background reading/external references

- 10.1 Granton Waterfront Development Framework - Planning Committee - [26 February 2020](#).
- 10.2 City Strategic Investment Fund – Policy and Sustainability Committee – [28 May 2024](#).

11. Appendices

Appendix 1 – Current and proposed CSIF Strategic Programme allocations.

Appendix 1 – Current and proposed CSIF Strategic Programme allocations

Programme	Current allocation	Current balance	New allocation	New balance	Change in allocation	Change in balance
Edinburgh Waterfront	£604,658.00	£0.00	£1,050,183.84	£445,525.84	+£445,525.84	+£445,525.84
BioQuarter	£542,467.00	£97,650.84	£444,816.16	£0.00	-£97,650.84	-£97,650.84
West Edinburgh	£345,000.00	£345,000.00	£0.00	£0.00	-£345,000.00	-£345,000.00
ESSTS2	£655,000.00	£335,000.00	£655,000.00	£335,000.00	N/A	N/A
Unallocated	£2,875.00	£2,875.00	£0.00	£0.00	-£2,875.00	-£2,875.00
Total	£2,150,000.00	£780,525.84	£2,150,000.00	£780,525.84	£0.00	£0.00