

# Policy and Sustainability Committee

10.00am, Tuesday, 26 November 2019

## City Strategic Investment Fund – Powderhall Stables

Executive/routine Wards Council Commitments	Executive 12 – Leith Walk <a href="#">2</a> , <a href="#">46</a>
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### 1. Recommendations

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- 1.1 It is recommended that Committee:
  - 1.1.1 notes that the current available balance of the City Strategic Investment Fund (CSIF) currently stands at £1.55m and is projected to rise to £1.69m by 1 April 2020 given scheduled repayments;
  - 1.1.2 notes that this includes £500,000 which can be used for match funding grant applications on a non-repayable basis;
  - 1.1.3 agrees to allocate £200,000 towards the Powderhall Stables project (should it proceed) from 1 April 2020 on a non-repayable basis;
  - 1.1.4 agrees to lend up to £500,000 to the Powderhall Stables project (should it proceed) from 1 April 2020 on the terms set out in this report, subject to final approval from the Head of Finance;
  - 1.1.5 notes that this would leave the projected available fund balance post-1 April 2020 at £992,084; and
  - 1.1.6 refers this report to Council for approval.

**Paul Lawrence**

Executive Director of Place

Contact: David Cooper, Service Manager - Development

E-mail: [david.cooper@edinburgh.gov.uk](mailto:david.cooper@edinburgh.gov.uk) | Tel: 0131 529 6233

## City Strategic Investment Fund – Powderhall Stables

### 2. Executive Summary

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- 2.1 This report proposes allocating up to £700,000 from the CSIF to the Powderhall Stables project from 1 April 2020, subject to it securing a grant of £1.21 million from the Scottish Government's Regeneration Capital Grant Fund. £200,000 of this would be on a non-repayable basis, while up to £500,000 would be a repayable loan on the terms set out in this report. This would leave the projected available balance of the CSIF post-1 April 2020 at £992,084.

### 3. Background

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- 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 is 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 To date, CSIF funding has been committed for the following projects:
- 3.2.1 East Hermiston Business Park, a 1,587 sqm industrial park in Sighthill. £2,141,491 to fund the development was approved by the Economy Committee on [28 April 2015](#) and by the City of Edinburgh Council on [28 May 2015](#). The Business Park was completed in September 2017 and is now projected to generate £145,000 of rental income for the Council annually with full repayment in 2032/33, following which the Business Park will provide additional income for the Council. The current balance remaining to be repaid to the Council is £1,947,916;
- 3.2.2 Replacement Meadowbank Stadium to RIBA stage 4. £700,000 to fund this design was approved by the City of Edinburgh Council on [10 March 2016](#). The allocation was to be repaid to the CSIF by realigning the future Capital Investment Programme. Following approval by Council for the Meadowbank Stadium project to proceed, this funding was not required as originally envisaged;

- 3.2.3 Cash flow issues arising as part of the closure of The EDI Group Limited (“EDI”). It was agreed by the Housing and Economy Committee on [7 September 2017](#) and by the City of Edinburgh Council on [31 May 2018](#) to allocate £1m for any cash flow issues arising from the closure of EDI. After the EDI cash balance strengthened, this funding was no longer required and the money was released back into the CSIF;
- 3.2.4 Design of the tram extension to Newhaven up to RIBA stage 2. The commencement of stage 2 design funded by £2m from CSIF was approved by the Transport and Environment Committee on [4 September 2017](#) (in the report CSIF is referred to as the Strategic Priorities Fund) with the City of Edinburgh Council giving final approval on [21 September 2017](#). The City of Edinburgh Council agreed on [14 March 2019](#) that the tram line would be extended to Newhaven. As reported to the Housing and Economy Committee on [21 March 2019](#) the repayment of the £2m allocated from the CSIF for design costs will not be repaid until the extended tram line is operational and generating a surplus, which is expected to be in 2025/26; and
- 3.2.5 Refurbishment of Powderhall Stables as work space and community space. £500,000 towards this refurbishment was agreed by the Housing and Economy Committee on [22 March 2018](#) and by the City of Edinburgh Council on [3 May 2018](#). After the Council’s bid to the Scottish Government’s Regeneration Capital Grant Fund (RCGF) was unsuccessful, the project was unable to proceed, this funding was no longer required and the money was released back into the CSIF.
- 3.3 On [25 October 2019](#), the Policy and Sustainability Committee agreed to fundamental changes in the way the CSIF was used. The following allocations were made to the remaining CSIF budget:
- 3.3.1 £2.15m was allocated for providing resources to deliver major developments at Edinburgh BioQuarter, Edinburgh Waterfront, and West Edinburgh. It was agreed that this would not be repaid to the CSIF;
- 3.3.2 £500,000 was allocated for match funding external funding applications. It was agreed that this would also not be repaid to the CSIF; and
- 3.3.3 the remainder of the CSIF (£902,084, rising to £1,047,084 by the end of 2019/20 based on projected repayments from the East Hermiston Business Park) would continue to be used for repayable debt or equity investment for eligible projects.
- 3.4 These decisions leave the current available balance of the CSIF at £1.55m. This is projected to rise to £1.69m by the end of the financial year due to repayments from the East Hermiston Business Park. The £1.57m includes £500,000 which can be used for match funding grant applications on a non-repayable basis.

## 4. Main report

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- 4.1 This report sets out a proposal to utilise up to £700,000 from the CSIF (£200,000 on a non-repayable basis and up to £500,000 on a loan basis) to support the refurbishment of Powderhall Stables as work and events space.

### **Powderhall Stables**

- 4.2 Powderhall Stables refers to the former offices and stable block of the Powderhall Waste Transfer Station at 165 Broughton Road as shown in appendix 1. Built in 1893, it is a two-storey, 618 sqm property in the Scots Baronial style. With architectural features including an archway entrance, bartizans, and ornate cast iron gates, it is a prominent feature on Broughton Road. It has been category 'B' listed since 1993. The building was originally used as offices for the adjacent waste incinerator plant and as stables for the horses that pulled the waste carts; latterly, it has been used as a staff facility for waste collection staff. The building is now over 120 years old and in poor condition. A condition survey carried out in 2017 returned a 'C' rating, indicating major defects. Multiple repairs are needed, including to the roof; stonework; ceilings; and doors and windows. The interior is highly dated and generally unsuited to contemporary occupier requirements.
- 4.3 Powderhall Waste Transfer Station was previously used to sort and compact waste prior to it being transferred to a landfill site at East Barns in East Lothian. The Waste Transfer Station was closed in late-2016 due to equipment failures and drainage issues. On [23 March 2017](#), the Finance and Resources Committee approved the sale of the Waste Transfer Station to the Housing Revenue Account for housing-led redevelopment.
- 4.4 The Council made a bid to the 2019/20 round of the Scottish Government's Regeneration Capital Grant Fund (RCGF) for £1.06 million towards the Powderhall Stables project. The bid was unsuccessful, but the Scottish Government provided feedback on the bid and encouraged the Council to resubmit the project.
- 4.5 On [29 August 2019](#), the Housing, Homelessness and Fair Work Committee agreed to seek further funding for the refurbishment of the stable block.
- 4.6 It is proposed to restore Powderhall Stables as a hub providing workspaces and events space. Collective Architecture has prepared designs for the conversion of the building. The project would aim to meet the strong demand for workspaces and function spaces in central Edinburgh. It is estimated that the building could support over 60 jobs if fully occupied.
- 4.7 The restoration of Powderhall Stables would provide a centre-point for the wider Powderhall redevelopment being taken forward by the Development and Regeneration Team. This is a mixed-tenure development of approximately 260 homes with potential to deliver a new nursery school, new public realm, and community growing areas. A Place Brief for the Powderhall development was approved by the Planning Committee on [12 December 2019](#); the Place Brief

states that “*bringing the stable block back into use and provision of a nursery should be integral parts of the development proposals*” and that “*Consideration should be given to its future use as workspace/event space with potential community uses.*”

- 4.8 The projected costs of refurbishing Powderhall Stables are £1.91 million. The Council has made a bid to the 2020/21 round of the RCGF, this time for £1.21 million, leaving a funding gap of £700,000. It is proposed to utilise the CSIF to bridge this funding gap, enabling the Powderhall Stables project to proceed if the RCGF grant can be secured. £200,000 of this would be on a non-repayable basis, while the remainder would be repaid using rental income from the letting out of the building once refurbished.

## **5. Next Steps**

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- 5.1 Should the Policy and Sustainability Committee agree the recommendations in this report, it will be referred to the City of Edinburgh Council for approval.
- 5.2 Should the bid be successful, it is anticipated that the Council would seek to commence the project during 2020/21.
- 5.3 Should the bid be unsuccessful, the project would be unable to proceed and the £700,000 would be released back to the CSIF.

## **6. Financial impact**

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- 6.1 As set out above, the uncommitted balance of the CSIF is currently £1.40m, rising to £1.55m by the end of the financial year. The £1.40m includes £500,000 which can be allocated on a non-repayable basis.
- 6.2 It is proposed to allocate £200,000 of the £500,000 to the Powderhall Stables project. Additionally, it is proposed to offer the project a loan facility of up to £500,000, to be repaid using income from renting out the building.
- 6.3 It is proposed that the CSIF loan of up to £500,000 would be repaid at 3% interest per annum. However, it is proposed that no interest would be charged during the construction period with interest only accruing once the building was occupied and generating a rental income. These terms would be subject to final approval by the Head of Finance.
- 6.4 Assuming a loan of £500,000 was taken out on these terms, with repayment commencing in January 2022, it is projected that the loan plus interest could be fully repaid by 2034. Following this date, any rental income from Powderhall Stables would accrue to the General Fund.
- 6.5 Council officers will seek to reduce overall project costs via value engineering and to secure additional external funding where possible.

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

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- 7.1 Significant community consultation has been undertaken in support of the wider Powderhall development proposals. This consultation has identified strong local support for the Powderhall Stables project.

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

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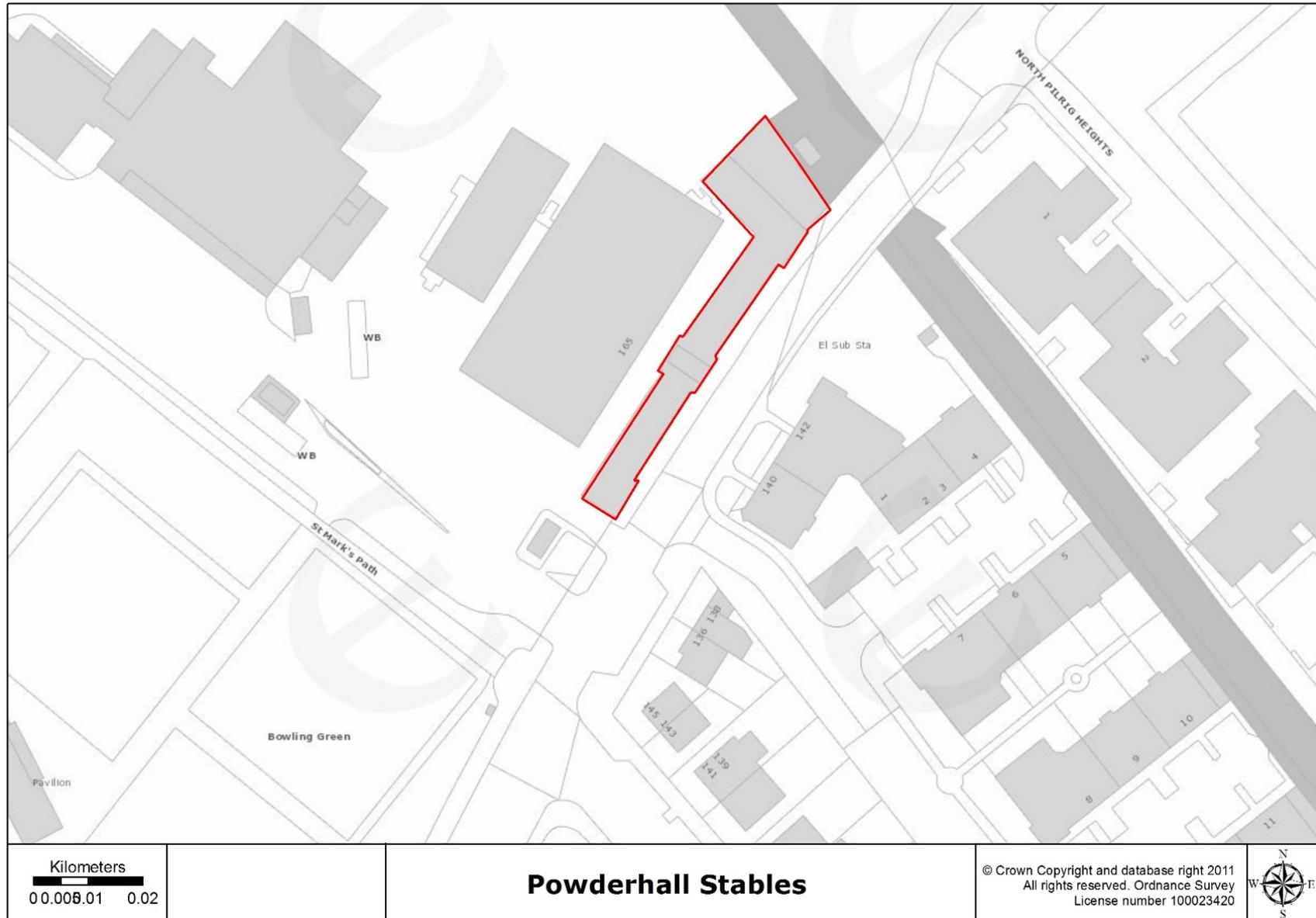
- 8.1 ["City Strategic Investment Fund – Powderhall Stables" – report to the Housing and Economy Committee, 22 March 2018](#)
- 8.2 ["Powderhall Place Brief" – report to the Planning Committee, 12 December 2018](#)
- 8.3 ["Delivery Strategy for Powderhall" – report to the Housing, Homelessness and Fair Work Committee, 29 August 2019](#)
- 8.4 ["City Strategic Investment Fund" – report to the Policy and Sustainability Committee, 25 October 2019](#)

## **9. Appendices**

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- 9.1 Appendix 1 – Powderhall Stables site plan
- 9.2 Appendix 2 – City Strategic Investment Fund: projected cash flow

## 9.1 Appendix 1 – Powderhall Stables site plan



## 9.2 Appendix 2 – City Strategic Investment Fund: projected cash flow

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
East Hermiston Business Park	-£42,113	-£1,277,659	-£719,084 <sup>A</sup>	£90,940 <sup>B</sup>	£145,000	£145,000
EDI cash flow reserve	-	-	-	£0	-	-
Meadowbank Stadium	-	-	£0	-	-	-
Tram design works	-	-	-	-£2,000,000	-	-
Strategic projects	-	-	-	-	-£2,150,000 <sup>C</sup>	-
Powderhall Stables - grant element	-	-	-	-	-	-£200,000 <sup>D</sup>
Powderhall Stables - loan element	-	-	-	-	-	-£500,000 <sup>E</sup>
<b>Balance at year end</b>	<b>£7,457,887</b>	<b>£6,180,228</b>	<b>£5,461,144</b>	<b>£3,552,084</b>	<b>£1,547,084</b>	<b>£992,084</b>
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
East Hermiston Business Park	£145,000	£145,000	£145,000	£145,000	£145,000	£145,000
EDI cash flow reserve	-	-	-	-	-	-
Meadowbank Stadium	-	-	-	-	-	-
Tram design works	-	-	-	-	£2,000,000	-
Strategic projects	-	-	-	-	-	-
Powderhall Stables - grant element	-	-	-	-	-	-
Powderhall Stables - loan element	£11,624	£46,495	£46,495	£46,495	£46,495	£46,495
<b>Balance at year end</b>	<b>£1,148,708</b>	<b>£1,340,204</b>	<b>£1,531,699</b>	<b>£1,723,194</b>	<b>£3,914,689</b>	<b>£4,106,185</b>
	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
East Hermiston Business Park	£145,000	£145,000	£145,000	£145,000	£145,000	£62,916
EDI cash flow reserve	-	-	-	-	-	-
Meadowbank Stadium	-	-	-	-	-	-
Tram design works	-	-	-	-	-	-
Strategic projects	-	-	-	-	-	-
Powderhall Stables - grant element	-	-	-	-	-	-
Powderhall Stables - loan element	£46,495	£46,495	£46,495	£46,495	£46,495	£46,495
<b>Balance at year end</b>	<b>£4,297,680</b>	<b>£4,489,175</b>	<b>£4,680,670</b>	<b>£4,872,166</b>	<b>£5,063,661</b>	<b>£5,173,072</b>

	2033/34	2034/35	2035/36	2036/37	2037/38	2038/39
East Hermiston Business Park	–	–	–	–	–	–
EDI cash flow reserve	–	–	–	–	–	–
Meadowbank Stadium	–	–	–	–	–	–
Tram design works	–	–	–	–	–	–
Strategic projects	–	–	–	–	–	–
Powderhall Stables - grant element	–	–	–	–	–	–
Powderhall Stables - loan element	£46,495	£34,871	–	–	–	–
<b>Balance at year end</b>	<b>£5,219,567</b>	<b>£5,254,439</b>	<b>£5,254,439</b>	<b>£5,254,439</b>	<b>£5,254,439</b>	<b>£5,254,439</b>
<p>A – Net expenditure based on expenditure of £767,659, partially offset by income of £48,575.  B – Net income based on income of £145,000, partially offset by expenditure of £54,060.  C – Non-repayable.  D – Non-repayable.  E – Maximum extent of loan.</p>						