

Policy and Sustainability Committee

10.00am, Tuesday, 25 February 2020

City Strategic Investment Strategic Programme

Executive/routine Wards Council Commitments	Executive All 1, 2, 4
---	---

1. Recommendations

- 1.1 It is recommended that Committee:
- 1.1.1 notes that on [21 November 2019](#) Council agreed to the restructuring of the City Strategic Investment Fund (CSIF);
 - 1.1.2 notes that from the £2.15m available to support delivery of the Council's strategic regeneration priorities:
 - 1.1.2.1 £500,000 will be allocated to BioQuarter to fund the procurement and establishment of a joint venture vehicle (subject to the agreement of report elsewhere on agenda);
 - 1.1.2.2 notes that £604,658 from the £2.15m available to support delivery of the Council's strategic regeneration priorities was allocated to the Granton Waterfront regeneration programme by the Finance and Resources Committee on [6 December 2019](#);
 - 1.1.2.3 notes allocations of up to £300,000 for City Centre Transformation, £200,000 for Data Driven Innovation and £500,000 for West Edinburgh respectively;
 - 1.1.3 notes that the allocation of £500,000 to leverage in grant funding for the Powderhall Stables project is the subject of a separate report; and
 - 1.1.4 notes the CSIF cash flow projection as shown in Appendix 1.

Paul Lawrence

Executive Director of Place

Contact: David Cooper, Service Manager - Development

E-mail: david.cooper@edinburgh.gov.uk | Tel: 0131 529 6233

City Strategic Investment Fund Strategic Programme

2. Executive Summary

- 2.1 This report provides an update on the City Strategic Investment Fund (CSIF) balance following the decision taken by Committee in October 2019 to restructure the fund.
- 2.2 It also includes allocations being made to BioQuarter and Powderhall Stables projects, both of which are the subject of separate reports on the agenda.
- 2.3 Appendix 1 sets out tables with cash flow projections for each of the sections of the CSIF showing current balance, projected income and expenditure.

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 Housing and Economy Committee on [21 March 2019](#) agreed to a wider review of the use of the CSIF to ensure it is deployed to meet the priorities of the economy strategy and wider city development and regeneration aims, including whether it is appropriate to increase the fund to help meet these objectives.
- 3.3 At the Policy and Sustainability Committee meeting on [25 October 2019](#) a new strategy for the use of the CSIF was agreed and at Council on the 21 November 2019 this strategy was endorsed. Council also agreed to move £902,084 of the fund into unallocated reserves.
- 3.4 The new arrangements separate the fund into three categories as follows:
 - 3.4.1 Strategic Programme - £2,150,000 was allocated to support the Council’s strategic development programme on a non-refundable basis;

- 3.4.2 Match Funding - £500,000 was allocated on a non-refundable basis to allow the Council to access external funding programmes where match funding is required or desirable; and
- 3.4.3 Loan Funding -The overall value of the CSIF Loan Fund is £3,947,916 after the transfer of £902,084 into the Council's unallocated reserves although the cash balance is currently £145,000.
- 3.5 Appendix 1 shows three tables showing the cashflow projections for each of these categories. For the avoidance of doubt the tables treat funding commitments as expenditure in order that Committee can see where there are still funds available for investment.

4. Main report

Strategic Programme

- 4.1 The Council has allocated £2.15m to support the Council's strategic development programme concerned with the economic regeneration and growth of the city. The key projects making up the programme are Edinburgh Waterfront, BioQuarter, Edinburgh City Centre Transformation (ECCT), Data Driven Innovation (DDI) and West Edinburgh.
- 4.2 Council agreed to ring-fence this money for a period of five years. The following sections set out how and when this funding will be apportioned across the identified projects.

Edinburgh Waterfront

- 4.3 Funding of £604,658 has now been 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. A separate report on this project is included elsewhere on this agenda.

BioQuarter

- 4.4 A strategic business case (SBC) for the BioQuarter is included elsewhere on the agenda for this Committee. It seeks approval of a £500,000 allocation to develop the project to full business case (FBC) including the procurement of a private sector partner.

Edinburgh City Centre Transformation

- 4.5 In [September 2019](#), the Council approved a Finalised Strategy and the development of a 10-year Programme Delivery Plan programme for transforming the city centre. Up to £300,000 has been committed from the CSIF strategic programme to ECCT in order to fund project management resources within the Council and potentially provide initial funding to implement this programme.
- 4.6 A further report will be provided to Committee in due course setting out the detail of this proposed expenditure, prior to any money being spent.

Data Driven Innovation (DDI)

- 4.7 The University of Edinburgh and the City of Edinburgh Council officers are currently considering new opportunities to attract investment to the city which would deliver DDI and Smart Cities outcomes.
- 4.8 This work is at a very early stage and is likely to take up to six months to develop a comprehensive business case. It is intended to set aside up to £200,000 from CSIF for delivery of the business case.
- 4.9 A report will be provided to Committee on this once the business case has been developed.

West Edinburgh

- 4.10 The West Edinburgh Economic Study is currently underway, and its outputs will be used to help inform the draft City Plan 2030 which will then be the subject of public consultation. It will also identify potential delivery models and possible public sector interventions.
- 4.11 A commitment of up to £500,000 has been made to West Edinburgh to recognise the expected need for further action on the part of the Council in developing a business case for future infrastructure delivery.
- 4.12 A progress report on West Edinburgh will be provided in June 2020. A further report will also be provided to Committee in due course setting out the detail of this proposed expenditure, prior to any money being spent.
- 4.13 From the £2.15m allocation to support the Council's strategic development programme £45,342 remains available for project funding as shown in Table 1 in Appendix 1.
- 4.14 It should be noted that while this funding is not being treated as a loan with a strict requirement for repayment, every effort will be made to recover this money as projects move into the capital expenditure stage.

Match Funding

Powderhall Stables

- 4.15 A report elsewhere on the agenda seeks approval of a £500,000 allocation to match a bid for £1.21m from the Scottish Government's Regeneration Capital grant Fund (RCGF) for the refurbishment of Powderhall Stables.
- 4.16 This would exhaust the match funding allocation of the CSIF as shown in Table 2 in Appendix 1.
- 4.17 This use of the match funding money was previously agreed on a non-refundable basis. As such, it has been assumed that the project would not need to refund this money if allocated by Committee. It is also unlikely that the project would be able to bear this cost. Even if this was managed by extending the repayment period, it would take at least a further 18-20 years to pay back the capital and interest.

Loan Funding

Powderhall Stables

- 4.18 A report elsewhere on the agenda seeks approval of a £290,000 loan for the refurbishment of Powderhall Stables. This would exhaust the loan funding allocation of the CSIF as shown in Table 3 in Appendix 1 but it is projected that this would be repaid by 2029/30 along with an uplift of approximately £50,000 reflecting interest payments of 3% per annum (the exact repayment date and interest payments would depend on the income that could be secured from Powderhall Stables).

5. Next Steps

- 5.1 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.
- 5.2 Regular reports will also be provided to the Policy and Sustainability Committee setting on progress and feedback on agreed projects.

6. Financial impact

- 6.1 The current cash balance for each of the sections of the CSIF are set out in Appendix 1 below. There are sufficient funds available for the allocations proposed in this report and the others connected to CSIF elsewhere on the agenda.
- 6.2 While the strategic programme funding and match funding are agreed on a non-recoverable basis, it is intended that all efforts will be made to recover funding for the CSIF strategic programme when projects move to capital funding stages.

7. Stakeholder/Community Impact

- 7.1 The estimated stakeholder and community impact will be provided in relation to individual projects as and when reports seeking funding approvals are provided.

8. Background reading/external references

- 8.1 None.

9. Appendices

- 9.1 Appendix 1 – City Strategic Investment Fund: Projected Cash Flow

Appendix 1 – CSIF: Projected Cash Flow (Based on agreed allocations)

Table 1 – Strategic Programme Commitments – Total Value - £2.15m

Project	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Edinburgh Waterfront	–	(£604,658)	–	–	–	–
BioQuarter	–	–	(£500,000)	–	–	–
City Centre Transformation	-	-	(£300,000)*			
Data Driven Innovation	-	-	(£200,000)*	-	-	-
West Edinburgh	–	–	(£500,000)*	–	–	–
Balance at year end	£2,150,000	£1,545,342	£45,342	£45,342	£45,342	£45,342

Amount currently available having regard to proposed allocations = £45,342

* These allocations will be up to the amount shown. Further information on how these monies will be used will be presented to Committee once more detailed plans have been developed.

Table 2 - Match Funding Commitments – Total Value - £500,000

Project	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Powderhall	–	–	(£500,000)	–	–	–
–	–	–	–	–	–	–
Balance at year end	£500,000	£500,000	£0	£0	£0	£0

Amount currently available having regard to proposed allocations = £0

Table 3 – CSIF Loan Fund Allocations – Total Value - £3,947,916

Project	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
East Hermiston Business Park	£90,940 ^A	£145,000	£145,000	£145,000	£145,000	£145,000
Tram design works	(£2,000,000)	–	–	–	–	–
Transfer to reserves	–	(£902,084)	–	–	–	–
Powderhall Stables	–	–	(£290,000)	£40,000	£40,000	£40,000
Balance at year end	£902,084 ^B	£145,000	£0	£185,000	£370,000	£555,000
Project	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
East Hermiston Business Park	£145,000	£145,000	£145,000	£145,000	£145,000	£145,000
Transfer to reserves	–	–	–	–	–	–
Tram design works	–	–	–	–	£2,000,000	–
Powderhall Stables	£40,000	£40,000	£40,000	£40,000	£40,000	£23,372
Balance at year end	£740,000	£925,000	£1,110,000	£1,295,000	£3,480,000	£3,648,372
Project	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36
East Hermiston Business Park	£145,000	£145,000	£62,916	–	–	–
Transfer to reserves	–	–	–	–	–	–
Tram design works	–	–	–	–	–	–
Powderhall Stables	–	–	–	–	–	–
Balance at year end	£3,793,372	£3,938,372	£4,001,288	£4,001,288	£4,001,288	£4,001,288
A – Net income based on income of £145,000, partially offset by expenditure of £54,060.						

Amount currently available having regard to proposed allocations = £0