

City of Edinburgh Council

10.00am, Thursday, 12 March 2020

City Strategic Investment Fund – Powderhall Stables – referral from the Policy and Sustainability Committee

Executive/routine
Wards
Council Commitments

1. For Decision/Action

- 1.1 The Policy and Sustainability Committee has referred a report on the City Strategic Investment Fund to Council for approval.

Laurence Rockey

Head of Strategy and Communications

Contact: Louise Williamson, Committee Services

E-mail: louise.p.williamson@edinburgh.gov.uk | Tel: 0131 529 4264

Referral Report

City Strategic Investment Fund – Powderhall Stables

2. Terms of Referral

- 2.1 The Policy and Sustainability Committee on 25 February 2020 considered a report on the proposed allocation of up to £790,000 from the City Strategic Investment Fund to the Powderhall Stables project from 1 April 2020, subject to it securing a grant of £1.21m from the Scottish Government's Regeneration Capital Grant Fund (RCGF). £500,000 of this would be on a non-repayable basis, while up to £290,000 would be a repayable loan on the terms set out in the report by the Executive Director of Place.
- 2.2 The Policy and Sustainability Committee agreed:
- 2.2.1 To note that the current available balance of the City Strategic Investment Fund (CSIF) included £500,000 which could be used for match funding grant applications on a non-repayable basis.
 - 2.2.2 To allocate £500,000 towards the Powderhall Stables project (should it proceed) from 1 April 2020 on a non-repayable basis.
 - 2.2.3 To note that the current available balance of the City Strategic Investment Fund (CSIF) included £145,000 which could be loaned to projects and that this was due to rise to £290,000 in 2020/21.
 - 2.2.4 To agree to lend up to £290,000 to the Powderhall Stables project (should it proceed) from 1 April 2020 on the terms set out in the report by the Executive Director of Place subject to final approval from the Head of Finance.
 - 2.2.5 To refer the report to the City of Edinburgh Council for approval.

3. Background Reading/ External References

- 3.1 Minute of the Policy and Sustainability Committee of 25 February 2020.
- 3.2 [Policy and Sustainability Committee of 25 February 2020 - Webcast](#)

4. Appendices

Appendix 1 – report by the Executive Director of Place

Policy and Sustainability Committee

10.00am, Tuesday, 25 February 2020

City Strategic Investment Fund – Powderhall Stables

Executive/routine Wards Council Commitments	Executive 12 – Leith Walk 2, 46
---	---

1. Recommendations

- 1.1 It is recommended that Committee:
- 1.1.1 notes that the current available balance of the City Strategic Investment Fund (CSIF) includes £500,000 which can be used for match funding grant applications on a non-repayable basis;
 - 1.1.2 agrees to allocate £500,000 towards the Powderhall Stables project (should it proceed) from 1 April 2020 on a non-repayable basis;
 - 1.1.3 notes that the current available balance of the City Strategic Investment Fund (CSIF) includes £145,000 which can be loaned to projects, and that this is due to rise to £290,000 in 2020/21;
 - 1.1.4 agrees to lend up to £290,000 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; and
 - 1.1.5 refers this report to the City of Edinburgh Council for approval.

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 – Powderhall Stables

2. Executive Summary

- 2.1 This report proposes allocating up to £790,000 from the CSIF to the Powderhall Stables project from 1 April 2020, subject to it securing a grant of £1.21m from the Scottish Government's Regeneration Capital Grant Fund (RCGF). £500,000 of this would be on a non-repayable basis, while up to £290,000 would be a repayable loan on the terms set out in this report.

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 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 1,587sqm 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 £1,802,916.
- 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.
- 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.
- 3.3.3 The remainder of the CSIF would continue to be used for repayable debt or equity investment for eligible projects.
- 3.4 On [21 November 2019](#), the City of Edinburgh Council decided to reallocate £902,084 from the CSIF to unallocated reserves. Following this decision, the current unallocated balance of the CSIF currently stands at £145,000. This is projected to rise to £290,000 in 2020/21 upon the receipt of the next scheduled repayment from the East Hermiston Business Park.

4. Main report

- 4.1 This report sets out a proposal to utilise up to £790,000 from the CSIF (£500,000 on a non-repayable basis and up to £290,000 on a loan basis) to support the refurbishment of Powderhall Stables and 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, 618sqm 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 RCGF for £1.06m 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 as shown in appendix 2. 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 2018](#); 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 circa £1.91m. The Council has made a bid to the 2020/21 round of the RCGF, this time for £1.21m, leaving a funding gap of circa £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. £500,000 of this would be on a non-repayable basis, while the remainder would be a loan to be repaid using rental income from the letting out of the building once refurbished.

5. Next Steps

- 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 £790,000 would be released back to the CSIF.

6. Financial impact

- 6.1 It is proposed to allocate £500,000 from the CSIF to the Powderhall Stables project on a non-repayable basis. This would leverage in grant income of £1.21m. Additionally, it is proposed to offer the project a loan facility of up to £290,000, to be repaid using income from renting out the building.
- 6.2 It is proposed that the CSIF loan of up to £290,000 would be repaid at 3% interest per annum. These terms would be subject to final approval by the Head of Finance.
- 6.3 Assuming a loan of £290,000 was taken out on these terms, with money drawn down in 2020/21, it is projected that the loan plus interest could be fully repaid in by 2029/30. Following this date, any rental income from Powderhall Stables would accrue to the General Fund.
- 6.4 Council officers will seek to reduce overall project costs via value engineering and to secure additional external funding where possible.

7. Stakeholder/Community Impact

- 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

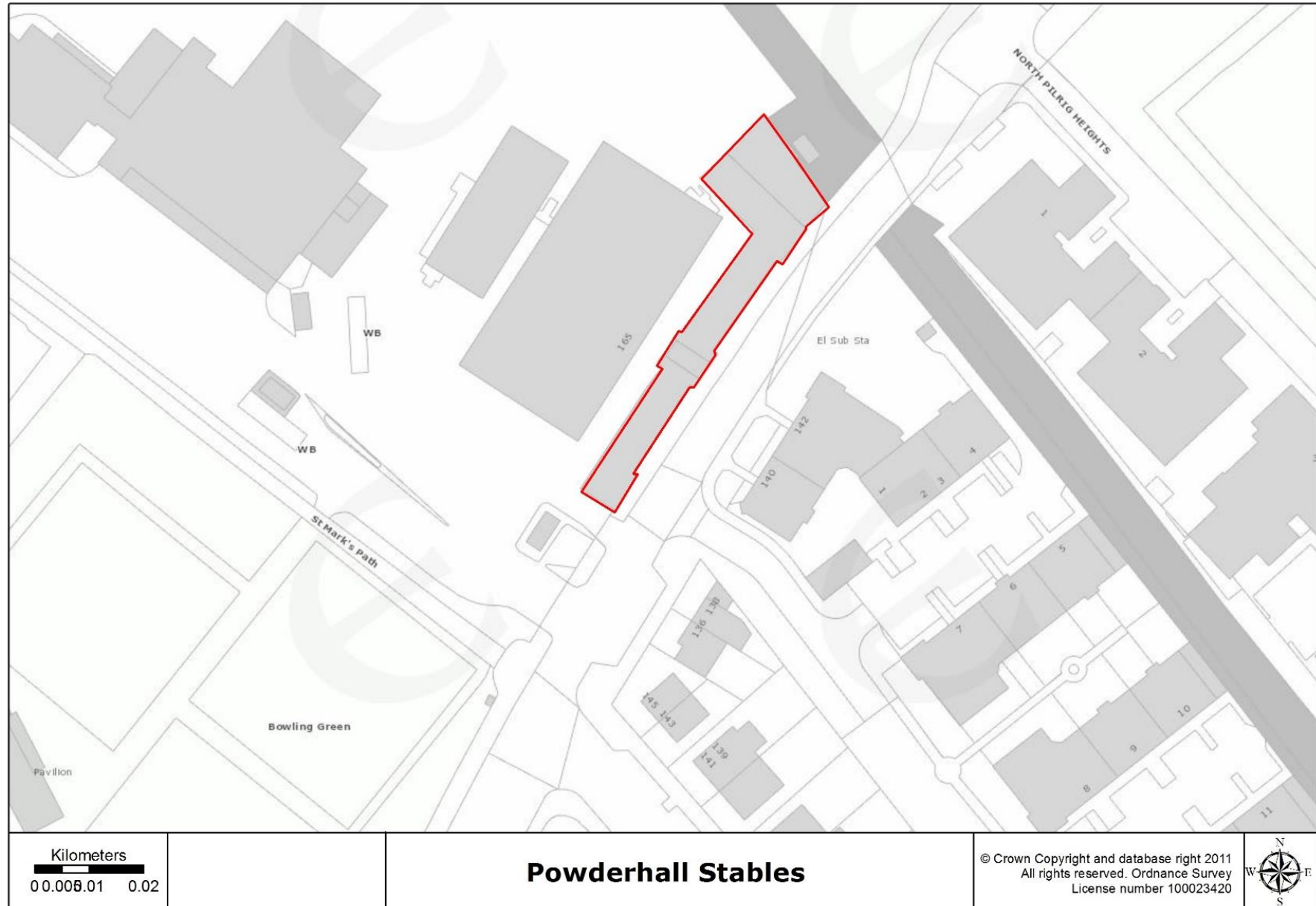
8.1 None.

9. Appendices

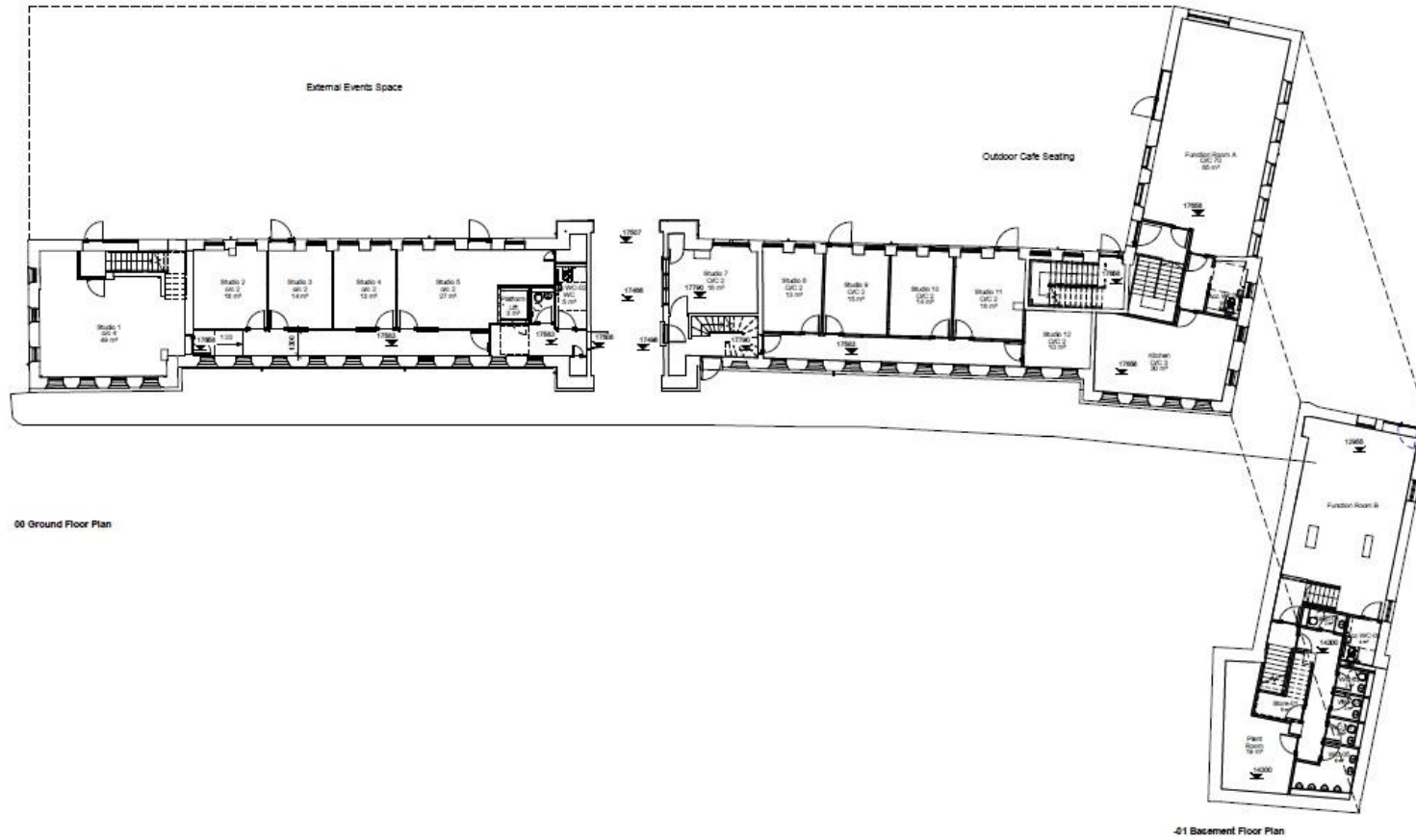
9.1 Appendix 1 – Powderhall Stables location plan

9.2 Appendix 2 – Powderhall Stables proposed floor plans

9.1 Appendix 1 – Powderhall Stables location plan



9.2 Appendix 2 – Powderhall Stables proposed floor plans



<p>Revisions</p> <table border="1"> <tr> <td>A</td> <td>Layout updated to reflect latest feedback</td> <td>30.11.18</td> <td>EF</td> </tr> <tr> <td>B</td> <td>Layout updated to include platform lift and second floor accommodation</td> <td>19.08.19</td> <td>CB</td> </tr> </table>	A	Layout updated to reflect latest feedback	30.11.18	EF	B	Layout updated to include platform lift and second floor accommodation	19.08.19	CB	<p>SCALE 1:50</p>	<p>INFORMATION</p> <p>DO NOT SCALE FROM DRAWING</p> <p>FOR INFORMATION ONLY - THIS DRAWING IS NOT TO BE USED FOR CONSTRUCTION</p> <p>ALL BUILDINGS ARE TO COMPLY WITH ALL APPLICABLE REGULATIONS AND STANDARDS</p> <p>ALL DIMENSIONS GIVEN UNLESS OTHERWISE SPECIFIED</p>	<p>PROJECT</p> <p>Collective Architecture</p> <p>Project Name: Powderhall Stables</p> <p>Client: [Redacted]</p> <p>Date: April 2018</p> <p>Scale: 1:100 @ A1</p> <p>Drawn by: [Redacted]</p> <p>Checked by: [Redacted]</p>	<p>COLLECTIVE ARCHITECTURE</p> <p>WEIGHT BUILT-UP OR DILLOMUNITY PLANNING BY OUR TELEPHONE AND/OR VISIT OUR OFFICE</p> <p>24 HOURS PLACE RESERVATION AND MAIL TELEPHONE +44 (0)133 510 2073</p> <p>EMAIL INFO@COLLECTIVEARCHITECTURE.CO.UK WWW.COLLECTIVEARCHITECTURE.CO.UK</p>
A	Layout updated to reflect latest feedback	30.11.18	EF									
B	Layout updated to include platform lift and second floor accommodation	19.08.19	CB									

© Collective Architecture 2018. All Rights Reserved. This drawing is the property of Collective Architecture and is not to be used for any other purpose without the written consent of Collective Architecture.

