

# Policy and Sustainability Committee

10.00am, Tuesday, 23 February 2021

## City Strategic Investment Fund Allocations

Executive/routine Wards Council Commitments	Executive All <a href="#">1, 2, 4</a>
---	---

### 1. Recommendations

---

- 1.1 It is recommended that Committee approves the following for the City Strategic Investment Fund (CSIF) to:
  - 1.1.1 make new allocations to take forward the development of a strategic business case for the second Edinburgh Sustainable Strategic Transport Study (ESSTS2) and to carry out a Heat and Energy Study; and
  - 1.1.2 adjust the Edinburgh City Centre Transformation (ECCT) and West Edinburgh allocations as set out in this report and in Appendix 1.

**Paul Lawrence**

Executive Director of Place

Contact: David Cooper, Service Manager – Commercial Development and Investment

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

## City Strategic Investment Fund Allocations

### 2. Executive Summary

---

- 2.1 This report provides an update on the Strategic Programme element of the City Strategic Investment Fund (CSIF) and sets out, for approval, new allocation proposals to take forward the development of a strategic business case in relation to the findings of the second Edinburgh Sustainable Strategic Transport Study (ESSTS2) and a Heat and Energy Study.

### 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 £7,500,000. 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 (net of any interest payments due) although the cash balance is currently £290,000.

3.5 Policy and Sustainability Committee on [25 February 2020](#) agreed allocations in relation to these three categories. This report focuses on the Strategic Programme element.

## 4. Main report

---

### Strategic Programme

4.1 The strategic development programme has been designed to support economic regeneration and growth of the city.

4.2 On [24 October 2019](#) Council agreed to ring-fence £2,150,000 for a period of five years. The following sections set out how and when this funding will be apportioned across the identified projects and provide a short update on each of these projects with regard to the use of the CSIF.

#### *Edinburgh Waterfront*

4.3 £604,658 has been allocated to the Edinburgh Waterfront regeneration project to fund project management costs during the planning stage of the project, leading to the finalisation of an outline business case.

4.4 This work is proceeding, and regular updates are provided to the Edinburgh Waterfront All Party Oversight Group. It is expected that the full funding allocation will be required.

#### *BioQuarter*

4.5 An allocation of £500,000 was agreed as the Council's contribution to the cost of proceeding to a full business case (FBC) stage, including the procurement of a private sector partner.

4.6 This work is proceeding and the Outline Business Case will now be presented to Committee in April 2021 for consideration and approval.

4.7 However, it has become apparent that the articles of association governing NHS Lothian mean it cannot fund commercial activity. NHS Lothian remains a committed project partner and will continue to provide support to the project wherever possible.

4.8 The funding position is therefore more challenging but the £500,000 set aside by the Council is still considered sufficient at this stage, although all the contingency built into the budget is now projected to be fully spent.

4.9 A key element of the business case development for Edinburgh Waterfront and BioQuarter is the delivery of sustainable transport solutions connecting both areas with the rest of the city.

4.10 To assist this, initial work on the Strategic Business Case (SBC) for ESSTS2 has been taken forward, utilising £181,000 of the funding allocated to Edinburgh

Waterfront and to BioQuarter. A new allocation is requested, as set out below, to progress ESSTS2 further.

#### *Edinburgh City Centre Transformation*

- 4.11 The Council approved a Finalised Strategy and the development of a 10-year Programme Delivery Plan programme for transforming the city centre. £300,000 was committed to this in order to fund project management resources within the Council and potentially provide initial funding to implement this programme.
- 4.12 As yet this funding has not been allocated to specific projects although progress is being made both in terms of strategy development and delivery on the ground. ECCT's spatial framework has guided temporary measures to enable physical distancing in central streets, whilst projects including the City Centre West-East Link, Meadows to George Street and George Street and the First New Town (GNT) continue to make progress towards delivery.
- 4.13 As a result, it is not envisaged that this allocation will be used as originally planned and instead it is proposed that this is used to support the Strategic Business Case stage of ESSTS Phase 2. This project is integral to creating the conditions necessary to successfully deliver ECCT. Further detail is provided below.

#### *Data Driven Innovation (DDI)*

- 4.14 University of Edinburgh and City of Edinburgh Council officers will develop a proposal to work collaboratively to deliver new opportunities to attract investment in achieving DDI and Smart Cities outcomes.
- 4.15 The DDI programme is making good progress and has been successful in securing government funding made available for work in this area. It may turn out that no further funding is required to move forward the Smart Cities agenda but for the time being it is recommended that the £200,000 allocation is retained whilst discussions are ongoing.

#### *West Edinburgh*

- 4.16 The West Edinburgh Economic Strategy for Inclusive Growth 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 representation. It will also identify potential delivery models and possible public sector interventions.
- 4.17 The work to develop the vision for West Edinburgh is now underway and the West Edinburgh All Party Oversight Group (APOG) are being kept up to date with progress and reports are being presented to committee for consideration and decision. Focused consultation on the approach to the strategy is nearing completion and a draft strategy will be available shortly for consideration and wider consultation.
- 4.18 A commitment of £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. While it is likely that this further work will flow from the completion of the strategy, it is not likely that the full allocation will be

needed straight away. As such it is proposed to reallocate £25,000 of this funding to support more immediate requirements while also leaving sufficient funding available to progress this strategically important area.

*Proposed new allocation – ESSTS2 Strategic Business Case*

- 4.19 In 2019, the Council commissioned Phase 1 of the Edinburgh Strategic Sustainable Transport Study (ESSTS1) to consider and assess (at a high level) the role of strategic public transport and active travel to benefit the city and the wider region. ESSTS1 examined how the development of transit led solutions could deliver against stated transport objectives to support wider policy outcomes such as sustainable economic growth, reducing carbon, promoting equality and healthier lifestyles.
- 4.20 The study identified ten corridors where transit would best support policy outcomes. Two corridors from Granton to BioQuarter and Shawfair and beyond (in board terms building on the formerly proposed Tram Line 2 alignment) were prioritised for further development. The outcomes of this study were reported to Transport and Environment Committee in [January 2020](#), as Appendix to the 'City Mobility Plan – Draft for Consultation' report.
- 4.21 Phase 2 of the study (ESSTS2), will consider the two prioritised strategic transit corridors identified in Phase 1 in greater detail and is being delivered in three stages.
- 4.22 Stage 1 of the study (Options Assessment and Preferred Option) sets out the policy-led case for Granton and the South East corridors including BioQuarter, the development of objectives and parameters; route feasibility and design/option assessments; and scoping of the SBC. As stated above, this early work has been taken forward as part of the Granton and BioQuarter business cases.
- 4.23 Stages 2 and 3 are the development and completion of the SBC which are expected to take nine months to complete and will include option development and feasibility design; engagement; development of future network operations and scheme costs; and transport modelling. A work breakdown structure and indicative programme is included in Appendix 2.
- 4.24 Transport Scotland has recently published its second Strategic Transport Projects Review (STPR2) lists ESSTS2 as a key project and gives a commitment to continue to engage with the Council in recognition of the value of this project and its potential contribution to wider regional connectivity.
- 4.25 The cost of Phase 2 is expected to be £320,000 and it is proposed that this is funded from the CSIF.

*Proposed new allocation – Heat and Energy Study*

- 4.26 The Council has set an ambitious target for Edinburgh to be net carbon zero by 2030 and has accepted the recommendations of Edinburgh Climate Commission including to accelerate renewable heating in a strategic city-wide approach that shares economic opportunity and benefit.

- 4.27 The Council is now beginning work on how the city can meet the energy needs of existing domestic and commercial buildings, and of future infrastructure developments. This includes considering the potential roles the Council could play within the context of a city masterplan. A masterplan will be developed alongside a 2030 Sustainability Strategy for the city, which is due for publication in Autumn 2021.
- 4.28 As a first step towards developing the masterplan, a strategic piece of work is required to inform and clarify the risks and benefits of the potential roles for the Council (whether as producer or consumer or both) could take in emerging energy markets. Funding of £50,000 is proposed to be allocated to support this study which will provide the following outcomes:
- 4.28.1 A clear understanding of emerging energy technologies and changes to the sector (with specific focus on heat) to ensure decision making is future proofed;
  - 4.28.2 An understanding of the potential technical and commercial roles it could have in relation to both energy and heat networks;
  - 4.28.3 A strategic assessment of the commercial and other relevant opportunities (high-level analysis of the associated risks and benefits); and
  - 4.28.4 Advice on how to best establish its role in the energy and heat sector based on impartial and technically informed expertise and relevant case studies.
- 4.29 It is envisaged that this study can be commissioned early this year and thereafter will take approximately 2-3 months to complete. On the basis that this programme is achieved, the findings will be reported back to Committee in summer this year.

## **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.
- 5.3 If the recommendations are approved, specifically in relation to ESSTS2, the Transport and Environment Committee will be the responsible for consideration of the SBC once prepared.

## **6. Financial impact**

---

- 6.1 The current cash balance for each of the sections of the CSIF is set out in Appendix 1 below. There are sufficient funds available for the allocations proposed in this report.

- 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 when projects move to capital funding stages so that future strategic projects can be initiated.

## **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 – Strategic Programme Commitments  
9.2 Appendix 2 – ESSTS2 Structure and Programme

## **Appendix 1 – Strategic Programme Commitments**

The table below shows the Strategic Programme commitments from the City Strategic Investment Fund (CSIF) £2,150,000, including those set out in this report.

<b>Project</b>	<b>Amount</b>	<b>Change</b>
<b>Fund value</b>	<b>£2,150,000</b>	
Edinburgh Waterfront	(£604,658)	
BioQuarter	(£500,000)	
ECCT	(£0)	-£300,000
DDI	(£200,000)	
West Edinburgh	(£475,000)	-£25,000
ESSTS2	(£320,000)	+£320,000
Heat and Energy Study	(£50,000)	+£50,000
<b>Unallocated balance</b>	<b>£342</b>	-£45,000

