

The City of Edinburgh Council

10.00am, Thursday, 24 February 2022

Sustainable Capital Budget Strategy 2022-2032 – referral from the Finance and Resources Committee

Executive/routine
Wards
Council Commitments

1. For Decision/Action

- 1.1 The Finance and Resources Committee has referred a report on Sustainable Capital Budget Strategy 2022-2032 to the City of Edinburgh Council as part of the budget meeting on 24 February 2022.

Andrew Kerr
Chief Executive

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Referral Report

Sustainable Capital Budget Strategy 2022-2032

2. Terms of Referral

- 2.1 On 3 February 2022, the Finance and Resources Committee considered a report on the Sustainable Capital Budget Strategy 2022-2032, which set out priorities for £1,459.874m of council capital investment, in alignment with the Council Business Plan, over the medium to long-term.
- 2.2 The Finance and Resources Committee agreed:
- 2.2.1 To note the priorities for capital expenditure outlined in the report which were aligned to the Council Business Plan and to refer the report to the Council's budget meeting on 24 February 2022.
 - 2.2.2 To note the proposed funding solutions and that the plan was now balanced, subject to the risks set out in the report.
 - 2.2.3 To note the continued pressure on the capital programme and the various unfunded pressures within the 2022-2032 Sustainable Capital Budget Strategy, detailed in paragraphs 4.30-4.42.
 - 2.2.4 To note that the strategy proposed funding to progress with an initial 'Pathfinder' project that involved implementing an EnerPHit informed approach for 12 Council operational buildings.
 - 2.2.5 To note that delivery of funded capital expenditure priorities was dependent on the achievement of a balanced medium-term revenue budget.
 - 2.2.6 To refer the report to the Governance Risk and Best Value Committee as part of its work programme.

3. Background Reading

- 3.1 [Finance and Resources Committee – 3 February 2022 - Webcast](#)
- 3.2 Minute of the Finance and Resources Committee – 3 February 2022

4. Appendices

- 4.1 Appendix 1 – report by the Executive Director of Corporate Services

Finance and Resources Committee

10.00am, Thursday, 3 February 2022

Sustainable Capital Budget Strategy 2022-2032

Executive/routine Wards Council Commitments	Executive All
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1. Recommendations

- 1.1 To note the priorities for capital expenditure outlined in this report which are aligned to the Council Business Plan and refer to Council's budget meeting on 24 February 2022;
- 1.2 To note proposed funding solutions and that the plan is now balanced, subject to the risks set out in this report;
- 1.3 To note the continued pressure on the capital programme and the various unfunded pressures within the 2022-2032 Sustainable Capital Budget Strategy, detailed in paragraph 4.30-4.42;
- 1.4 To note that the strategy proposes funding to progress with an initial 'Pathfinder' project that involves implementing an EnerPHit informed approach for 12 Council operational buildings;
- 1.5 To note that delivery of funded capital expenditure priorities is dependent on the achievement of a balanced medium-term revenue budget; and
- 1.6 To refer the report to the Governance Risk and Best Value Committee as part of its work programme.

Stephen S. Moir
Executive Director of Corporate Services

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Sustainable Capital Budget Strategy 2022-2032

2. Executive Summary

- 2.1 The Sustainable Capital Budget Strategy sets out priorities for £1,459.874m of council capital investment, in alignment with the Council Business Plan, over the medium to long-term.
- 2.2 As the overall funding position of the Sustainable Capital Budget Strategy in Appendix 3 shows, the programme is now funded over the 10-year period. However, if a funding gap in the strategy emerges through failure to deliver revenue savings or project cost pressures increase, then further re-profiling of priorities, reduction in scope of projects or additional revenue savings to fund the borrowing costs to deliver the Capital Budget Strategy will be required ahead of future budget setting to comply with the terms of the Prudential Code. This could potentially mean that later phases of the programme could not be delivered within the ten-year strategy.
- 2.3 The Strategy is expected to come under significant financial pressure as a result of higher tender prices caused by external factors including COVID-19 and Brexit. The extent of the impact is likely to differ between programmes and projects and it is still too early to understand the full cost impact to the Council. Currently it is most notable in the scarcity and cost pressures in various key construction materials, i.e. steel and timber, which is leading to slippage on delivery of projects.
- 2.4 The strategy assumes that some priorities, such as the City Centre Transformation and wider transport initiatives, will need to be funded primarily from external funding unless significant realignment of existing budgets is undertaken. The wider financial implications of City Plan 2030 infrastructure requirements are also likely to have a further impact on the 2022-32 Capital Budget Strategy which has yet to be fully understood and reflected in the assumptions of this report. Detailed financial modelling is underway to understand these requirements but will not be finalised until the City Plan 2030 is approved.

3. Background

- 3.1 The Sustainable Capital Budget Strategy 2021-2031 was reported to Finance and Resources Committee on 2 February 2021. This report detailed priorities for council capital investment of £1,492.494m, in alignment with the new Council Business Plan, over the medium to long-term and set out a plan on how they could be funded. However, there was a funding gap of £171.779m which needed to be addressed in subsequent updates. The report also emphasised the Council's commitment to end poverty in Edinburgh and become a Carbon Neutral city by 2030. While the plan was affordable in the short-term, thereafter a funding gap developed from 2024/25 onwards, which future budgets needed to address.
- 3.2 The Council is required to ensure that it creates a sustainable capital budget strategy, from an environmental, financial and service delivery perspective. COVID-19 and the costs of creating Carbon Neutral infrastructure will have an impact on what the Council can afford. Consequently, with more limited resources, it needs to ensure that the projects taken forward are the right choices. It also needs to consider a total place approach where new buildings are not built in isolation but consider the full range of services offered, their role and accessibility within the local community.
- 3.3 The Sustainable Capital Budget Strategy 2022-2032 reported to Finance and Resources Committee on 7 October 2021 eliminated the previously reported funding gap, highlighted the capital investment priorities for the next 10 years and the corresponding proposed funding solutions.
- 3.4 This report should be read in parallel with the revenue budget report elsewhere on this agenda as the revenue impact of additional capital expenditure needs to be contained within a balanced medium-term revenue budget.
- 3.5 The three-year Business Plan: [Our Future Council; Our Future City](#) brings together the Council's strategic priorities into a single plan responding to these needs for change and should also be read alongside this strategy and the wider capital and revenue budgets.
- 3.6 This report only covers the general fund capital investment programme. The capital expenditure requirements for the Housing Revenue Account are included elsewhere on this agenda as part of the budget setting process.

4. Main report

Latest 2021/22 Capital Monitoring Position

- 4.1 Projected slippage in the 2021/22 programme is included in the Capital Monitoring 2021/22 – Month Eight Position report elsewhere on the agenda and has been built into the revised programme in Appendix 1. This slippage will be further amended after the final outturn for the financial year and thereafter reported to Finance and Resources Committee in summer 2022.

Local Government Finance Settlement

4.2 The provisional one-year Local Government Finance Settlement was announced on 20 December 2021. Within Appendix 1, it is assumed;

- General Capital Grant is expected to increase at slightly lower than previously expected levels with; £40.221m in 2022/23, £39.080m in 2023/24, £41.287m in 2024/25 and £41.849m in 2025/26 based on the Scottish Government Capital Spending Review and latest allocation. The core funding received in 2022/23 is £1.038m lower than anticipated but is offset by an award of £2.019m from the Local Bridge Maintenance Fund. However, this funding has been allocated to new capital expenditure, so the benefit is unrealised across the capital budget strategy. The years from 2026/27 onwards are based on a more optimistic trend, however, this may have to be revisited in future;
- the Early Years grant for 1140 hours ended in 2020/21 but grant which has been unused has been carried forward and will be drawn down to match expenditure;
- Cycling, Walking and Safer Routes (CWSR) is confirmed at £2.310m and this is expected to continue at this funding level until 2025/26, which is £0.011m higher than the 2021/22 allocation;
- Transfer of Management of Development Funding (TMDF) was expected to continue at the funding level of £27.950m until 2025/26 per the Scottish Government Capital Spending Review. However, the Resource Planning Assumption of the Affordable Housing Supply Programme provided by the Scottish Government includes the following allocations which have been recognised in Appendix 1 – 2022/23 £45.182m, 2023/24 £45.053m, 2024/25 £45.211m and 2025/26 £45.960m;
- Roll-out of universal primary school lunches for Primary four and Primary five is expected to be funded in 2022/23 but the Scottish Government will meet with Local Government partners in the new year to agree the distribution of the £30m capital allocation for 2022-23. This funding will be recognised in the budget when it is received, as expenditure will be aligned to funding provided; and
- Place Based Investment Programme (PBIP) funding is expected to continue, with £1.735m expected in 2022/23 and £1.209m expected annually in 2023/24 to 2025/26.

Proposed Capital Expenditure

4.3 The Sustainable Capital Budget Strategy 2022-32 sets out priorities for £1,459.874m of council capital investment, in alignment with the Council Business Plan, over the medium to long-term. The level of capital expenditure required has changed from the amount previously reported, as it takes account of confirmed grant funding for specific projects, and revised expenditure forecasts. The proposed capital expenditure is intended to ensure Council infrastructure reaches the

proposed standards in that area, e.g. Passivhaus certified standard for new learning estate projects and EnerPHit informed approach for existing operational buildings. The specific unfunded pressures on the EnerPHit informed approach are referenced in paragraph 4.32. The proposed capital expenditure is set out in Appendix 1 by project area and split by relevant financial year.

- 4.4 There is a significant opportunity for the learning estate buildings across the city to become anchor facilities for wider joined up service delivery in local communities aligned with the principles of the 20-minute neighbourhood concept. For all new learning estate projects currently in development, options for wider service delivery from the facility are being considered during the design phase with flexible working space included as budgets allow. This process is most advanced at the replacement Currie High School and Liberton High School projects and the new Maybury Primary School project. The Passivhaus certified standard will also be adopted.
- 4.5 Furthermore, funding has been provided for library and employability services to be included within the Macmillan Hub project in Pennywell. This is addition to Scottish Government Early Years funding for a new nursery and the recently announced Scottish Government Regeneration Capital Grant Fund award for wider community facilities. The Hub will provide an opportunity to create a building shared between the Council and the North Edinburgh community to provide education, lifelong learning, arts, culture and employment support for this area of the city, which all strongly aligns with the Council's 20 minute neighbourhood principles.
- 4.6 This process will continue as the remainder of the planned projects included in the Sustainable Capital Budget Strategy are progressed. These projects are: Trinity Academy Phase 2; Wester Hailes High School Phase 2; LDP primary and secondary schools. It is essential to ensure the strategic briefs for these projects outline the teaching, learning and wider community requirements from the outset to ensure the buildings constructed are fit for purpose.
- 4.7 There is also an opportunity for existing learning estate facilities to be adapted in order that wider services can be delivered from these locations. In order to ensure this is successful detailed suitability assessment of the physical changes required to the learning estate should be progressed. A new Edinburgh's Learning Estate Strategy 2021 'Investing in New Buildings: Guiding Principles' was approved by Education, Children and Families Committee on 12 October 2021.
- 4.8 The Council has a significant role to play in supporting the city to transition to net-zero carbon by tackling major infrastructure challenges – particularly in respect of transport. Investing in active travel infrastructure provides the city's residents, visitors and businesses a means of transport that is low carbon and can efficiently move people and goods around the city. To work towards the target of being net-zero by 2030 there is Council capital funding of £69.921m to deliver Public Transport, Road Safety and Active Travel infrastructure which will be augmented by external funding.

- 4.9 Heat and energy use in Council buildings accounts for 68% of the Council's own emissions footprint. The Sustainable Development service have been actively looking into other funding streams including any Scottish Government funding which could be used for the Council's future EnerPHit informed investments as part of the Council Emissions Reduction Plan. The service has been successful in a bid for £10.120m of revenue funding for CEC's EnerPHit informed works under the Scottish Government's 'Green Growth Accelerator' funding programme. This is a new national programme that unlocks £200 million of additional investment in infrastructure projects to support Scotland's transition to an inclusive net-zero emissions economy with the funding subject to the achievement of pre-agreed project outcomes. The revised 2022-32 Capital Budget Strategy provides £60.850m of Council capital investment to progress with an initial 'Pathfinder' project that involves implementing an EnerPHit informed approach for 12 Council operational buildings.
- 4.10 The Capital Budget Strategy also includes £57.101m for completion of the Trams to Newhaven project, which will increase public transport capacity and help to reduce transport emissions. Although there is expected to be some minor reprofiling between financial years, the project is anticipated to be delivered within its original approved budget of £207.3m.
- 4.11 In order to continue to deliver high-quality services, the Council needs to continue to invest in the condition and suitability of its assets. The Sustainable Capital Budget Strategy 2022-32, as set out in Appendix 1, includes £149.967m for the existing operational estate to continue the positive impact of the Asset Management Works Programme as most recently reported to Finance and Resources Committee on 12 August 2021. There is also a further £177.836m allocated towards carriageways and footways as well as continuing investment in specific assets such as the completion of the North Bridge Refurbishment.
- 4.12 While additional social housing provision is financed by the Housing Revenue Account, the general fund capital programme provides £202.712m for lending to Edinburgh Living LLPs which is included within this Strategy. These projects are self-financing as a result of income from affordable rents. Further information on the risks of this on-lending are included in paragraph 4.29.

Proposed Capital Expenditure Savings

- 4.13 There are no new capital expenditure savings proposed at this stage, however, if a funding gap in the strategy emerges through failure to deliver previous savings or project cost pressures then further re-profiling of priorities, reduction in scope of projects or additional revenue savings to fund the borrowing costs to deliver the Capital Budget Strategy will be required ahead of future budget setting to comply with the terms of the Prudential Code.
- 4.14 In the previous updates on the Sustainable Capital Budget Strategy in February and October 2021, it was proposed that a business plan would be developed and through receipts and savings a total of £63.160m was removed from the strategy as a result of the proposed review of the learning estate programme. The ongoing

pandemic, delays to capital projects that are already being constructed, the continuing market cost increases and material shortages being experienced in the construction sector have made it impossible to progress a detailed capital programme savings exercise for the learning estate. However, it remains essential to assess opportunities for reducing the overall level of investment over time and utilise existing capacity in the best possible manner.

- 4.15 Year-on-year there is also slippage in the capital programme and a slippage assumption has been applied over the latest cashflows into the Strategy which has reduced the funding pressure by £7.263m in the 10-year programme.

Proposed Capital Funding

- 4.16 The Sustainable Capital Budget Strategy 2022-2032 funding was thoroughly reviewed line by line following the setting of the previous strategy in February 2021 as reported to Finance and Resources Committee on 7 October 2021. This was undertaken to consider any opportunities to address the previously reported funding gap. Alignment of the Long-Term Financial Plan and Resource Allocation for revenue with the revised Capital Budget Strategy timescales and expenditure concluded that the Capital Budget Strategy was affordable as it stood at that point in time.
- 4.17 Detail on the Local Government Finance Settlement assumptions are outlined in paragraph 4.2 above.
- 4.18 There have been no further changes to Developer Contributions assumed within the strategy, but this funding stream will be kept under review as the Wave 4 schools, Local Development Plan and subsequently City Plan infrastructure progress.
- 4.19 The Capital Budget Strategy assumes Capital Receipts from Asset Sales of £3m per year which will be closely monitored. There is a risk that if capital receipts are not received, or not received in the same financial year as the expenditure is incurred, additional funding pressures will occur which would increase the revenue pressures with higher than anticipated revenue loan charges.
- 4.20 Within the Council's reserves, there is the Capital Fund which has £27m set aside to be drawn down to support capital investment. In addition to this, £2m had been ring-fenced within the Capital Fund from a previous capital receipt to support a mobile workforce solution (Total mobile) for improving capacity for reablement and home-based care services and enabling delivery of the bed-based care strategy. There is also £3.800m held in contingency for pressures on priority projects, £3.924m for LDP primary schools and £1.801m for Communal Bins.
- 4.21 There is also a further £47.949m in the Capital Grants Unapplied Account to be drawn down against the relevant expenditure, including £43.827m for completion of the Early Years infrastructure using the previously awarded grant funding and £2.400m for Maybury Primary School as NHS Lothian's contribution to the construction for their GP practice. This is held in Reserve outwith the capital expenditure and funding in Appendix 1 and will be drawn down as income to offset expenditure when it is incurred.

- 4.22 The Council continues to actively seek additional external capital funding for key projects and priorities and has recently been successful in securing Scottish Government and UK Government funding for projects such as Granton Waterfront, Pennywell Hub, EnerPHit, Active Travel and the Learning Estate. Further successful funding bids awarded will be added to future iterations of the strategy.
- 4.23 The funding changes are summarised in Appendix 2, along with summarised details of the other expenditure movements since the Sustainable Capital Budget Strategy 2022-32 update was reported to Finance and Resources Committee on 7 October 2021.

Funding Pressure and Risks

- 4.24 There is still a potential risk of expenditure exceeding budget on projects and these will be reviewed as part of the quarterly capital monitoring.
- 4.25 If the Council is unable to make the revenue savings required to support the loan charges assumed, then capital expenditure will need to be reduced, potentially meaning that later phases of the programme could not be delivered within the ten-year strategy.
- 4.26 In response to the increased construction sector volatility, two framework cost advisors have provided market assessments, drawing upon projects delivered across the wider market, as well as their knowledge of Council projects to inform their opinion. As a result, the capital budget strategy has been reviewed to provide for some additional inflationary uplifts and these assumptions will be reviewed at least twice a year in future. Consideration may also be needed to review the case for taking any non-essential projects to tender during the current period of volatile pricing. As a consequence of labour and materials shortages, provision needs to be made in planning for extended construction periods to minimise slippage reported in the quarterly capital monitoring updates and delays to projects. Appendix 1 includes a total provision of £74.401m to mitigate the impact of inflationary pressures across the strategy.
- 4.27 Scottish Government funding will be available through the outcomes-based funding (OBF) model for Wave 4 schools included in the Learning Estate Investment Programme Phases 1 and 2. The funding will be released on evidence of the achievement of four agreed key outcomes. These are maintaining asset condition A and/or B for 25 years, achieving Energy Efficiency targets, being Digitally enabled learning hubs and delivering Economic Growth through meeting a target number of jobs per the Construction Industry Training Board (CITB). There is a risk that if these future Council assets fail to meet the requirement criteria, funding would be reduced, resulting in a revenue funding pressure for the Council.
- 4.28 The Scottish Government has also indicated that it wishes Local Authorities to change from the annuity method for Loans Fund Advances and align more closely with accounting standards by using a depreciation method for debt charges over the asset life. This change towards an equal instalment of principal approach would result in increasing the annual costs of borrowing once repayment of principal and

interest are considered, especially in the earlier years after the asset becomes operational. The financial impact of any change in accounting treatment will be kept under review.

- 4.29 At present the City of Edinburgh Council has consent to borrow from the Scottish Government for Edinburgh Living LLP up to 2023-24 for a total of £248.000m. Both the Housing Revenue Account (HRA) Business Plan and General Fund on-lending assume continuation of the consent beyond this point, in the form of capital receipts in the HRA and borrowing in the General Fund. Work is underway to understand future viable models for mid-market and market rent; considering development costs, availability of grant funding and consents.

Unfunded Capital Priorities and Pressures

- 4.30 Representations from stakeholders regarding City Plan 2030 are currently being considered and Members will discuss these at a future Planning Committee. The Plan has significant infrastructure requirements and the financial impact of these to the Council is currently unfunded. Discussions between Planning and Finance teams to explore this challenge are ongoing.
- 4.31 Edinburgh Trams have been in discussions with the Public Transport team and Finance about Tram lifecycle requirements for the existing line. The plan is being reviewed and the Council is seeking an independent expert assessment to confirm the extent of the works required.
- 4.32 Whilst some funding has been provided for EnerPHit through the 'Pathfinder' project as outlined in paragraph 4.9 above, the remaining funding requirement is likely to be significantly higher than currently provided for. The initial 'Pathfinder' project will however inform the funding gap for consideration as part of future budget setting. Moreover, the full capital cost associated with achieving the Council's 2030 net-zero carbon target and mitigating the impact of climate change is likely to be significant but is still to be funded. Discussions are ongoing with partners as part of delivering the 2030 Climate Strategy and the Council Emissions Reduction Plan. Council is working in partnership with the Scottish Government to explore potential funding solutions and opportunities whilst developing a Strategic Investment Plan for the net-zero transition. Any funding gaps identified would be considered as part of future budgets.
- 4.33 A permanent solution to the current Calton Hill road temporary make safe solution could cost in the region of £1.200m. Any permanent solution will need to be considered as part of wider City Centre Transformation proposals.
- 4.34 The Annual Status and Options Report for the Council's bridges and structures highlights a funding requirement of a minimum of £3m per annum. This would allow for a more effective preventative approach to bridge stock management. There is currently an allocation of £0.8m for this purpose, leaving a shortfall of £2.2m. In addition, as has been seen in recent years with the North Bridge and the Burnshot Bridge, there is likely to be additional funding required above and beyond the required increase investment of £2.2m per annum over the life of the Capital

Strategy for more significant investments where bridges or structures have exceeded their expected lifespan.

- 4.35 As well as our bridge stock, there is also a requirement for a preventative budget for our flood prevention and coastal protection measures. It is estimated that an annual budget of £1.5m would be appropriate to fulfil this requirement. At this moment in time there is no capital allocation for flood prevention and coastal protection assets management.
- 4.36 Council officers are reviewing several potential sites and requirements for both permanent and temporary hostile vehicle mitigation measures. This is currently unfunded within the strategy with work underway to review what funding is required. It is highly unlikely that external funding can be secured for this important public safety requirement.
- 4.37 Universal primary school lunches had been expected to be rolled out to Primary 6 and 7 pupils, but this has been delayed, however, is still expected to be delivered by the end of the parliamentary term. Decisions on the allocation of the £30.000m capital funding for Primary 4 and Primary 5 children will go to the Settlement and Distribution Group, and subsequently COSLA Leaders, early in the new year. It is anticipated that this funding could be used for additional tables and equipment but there will be no large-scale refurbishment or extension work required at this stage. It is understood that further capital investment will be required in 2023-24 which the Scottish Government could contribute funding towards but there is a risk that it becomes at least partially an unfunded pressure if large scale refurbishment or extension work is required to support the full rollout to Primary 6 and Primary 7 pupils as well.
- 4.38 An update on Gaelic Medium Education (GME) statutory consultation went to 7 December 2021 Education, Children and Families Committee and within that there was mention that there was no provision within the 2022-2032 Capital Budget Strategy for future GME infrastructure provision. A statutory consultation is due to be progressed and appropriate capital budgets to deliver any option approved as the outcome of the consultation would need to be considered. Scottish Government capital grants could be available for GME infrastructure investment, but these would not cover all infrastructure costs.
- 4.39 As part of the ambition to create inclusion and wellbeing hubs in all secondary schools, alterations and/or additional accommodation will be required. This ambition aligns with the Council Business Plan objective to create 20-minute neighbourhoods as reported to the Policy and Sustainability Committee on 30 November 2021. There are a number of opportunities to co-ordinate investment with the suitability improvements highlighted in paragraph 4.7 above and £0.400m per year is currently available within the strategy for this purpose.
- 4.40 In addition to the existing programme and additional priorities, a funding strategy to deliver future phases of the City Centre Transformation and the wider City Mobility Plan is being developed. A contractor for City Centre Transformation Phase 2 has been commissioned and fully funded revenue work is currently being taken forward

on various tasks. The Council are actively bidding for grant funding that becomes available to take forward specific commitments in the City Mobility Plan.

- 4.41 An outline business case for the Granton Waterfront regeneration programme was presented to Policy and Sustainability Committee on 5 October 2021. Detailed analysis of costs and funding reveal a significant funding gap for the programme of £381.2m. Based on the extent of the shortfall, it is concluded that a phased approach towards delivery should be adopted and it was agreed that further business case development should proceed for the first phase of regeneration, 'The Heart of Granton'. This first phase has a funding gap of £70.1m across the General Fund and HRA. Over the next 18 months a final business case for phase 1 will be developed by bringing in a development partner skills and expertise, developing a case for a low carbon energy solution, progressing designs, achieving further cost certainty to reduce optimism bias and creating a deliverable phase 1 that aims to secure a package of government grant funding to close any remaining viability gap. Should the Council be successful in securing the £70.1m required to close the funding gap, phase 1 could proceed and further detailed work could commence to obtain funding for the remaining three phases.
- 4.42 The list of unfunded capital priorities and pressures above is not exhaustive and there are no further changes to the proposed capital investment which was previously approved on 18 February 2021.

5. Next Steps

- 5.1 This report will be referred to Governance, Risk and Best Value Committee to consider as part of its programme of work.
- 5.2 Finance staff will continue work with project and programme managers to monitor capital budgets.
- 5.3 The capital budget strategy will also be referred to Council ahead of setting its budget in February 2022.

6. Financial impact

- 6.1 This report sets out capital expenditure and funding of £1,459.873m based on the assumptions set out above, including the generation of savings and additional income in revenue budgets. These assumptions will be kept under review, and capital expenditure plans remain contingent on the strategy continuing to be affordable.
- 6.2 Investment in additional assets is likely to result in increased running costs borne by the Council's service areas. There is therefore a need to provide for the additional revenue costs of several demand- and condition-led school replacements and new-builds. Based on the latest cost projections and sums provided within the budget framework in respect of known rising school rolls projects, the Wave Four schools

programme (as set out in the original 2018 business case) and additional, or expanded, facilities linked to the Local Development Plan, this level of provision was anticipated to be sufficient to meet, in full, these additional costs at that time.

- 6.3 There is, however, a continuing need to assess, based on best-available expenditure and income projections for the projects concerned, the adequacy of sums provided within the budget framework in respect of known and emerging potential commitments. As a result, all projects will be required to produce a detailed business case, setting out both capital and revenue costs and demonstrating how they will be funded prior to project commencement as part of the wider Gateway process requirement.

7. Stakeholder/Community Impact

- 7.1 Consultation on the capital budget will be undertaken as part of the Council's wider budget setting process.
- 7.2 The stakeholder and community impact of individual projects within the Council's capital programme is considered as part of the business cases for those projects.

8. Background reading/external references

- 8.1 [Edinburgh Tram – York Place to Newhaven Final Business Case](#), The City of Edinburgh Council, 14 March 2019
- 8.2 [Loans Fund Review](#), Finance and Resources Committee, 14 February 2020
- 8.3 [Sustainable Capital Budget Strategy 2021-2031](#), Finance and Resources Committee, 2 February 2021
- 8.4 [Sustainable Capital Strategy 2021-31 – Annual Report](#), Finance and Resources Committee, 4 March 2021
- 8.5 [Updated Housing Revenue Account \(HRA\) Capital Programme](#), Housing, Homelessness and Fair Work, 3 June 2021
- 8.6 [Treasury Management: Annual Report 2020/21](#), Finance and Resources Committee, 12 August 2021
- 8.7 [Asset Management Works Programme – 2020/2021 Update](#), Finance and Resources Committee, 12 August 2021
- 8.8 [2021-31 Sustainable Capital Budget Strategy – Outturn 2020/21 and Revised Budget 2021/22](#), Finance and Resources Committee, 12 August 2021
- 8.9 [Granton Waterfront Regeneration – Outline Business Case](#), Policy and Sustainability Committee, 5 October 2021
- 8.10 [Sustainable Capital Budget Strategy 2022/32](#), Finance and Resources Committee, 7 October 2021

- 8.11 [Delivering the 20-Minute Neighbourhood Strategy](#), Policy and Sustainability Committee, 30 November 2021
- 8.12 [Council Emissions Reduction Plan](#), Policy and Sustainability Committee, 30 November 2021
- 8.13 [2030 Climate Strategy and Implementation Plan](#), Policy and Sustainability Committee, 30 November 2021
- 8.14 [Update on Gaelic Medium Education Statutory Consultation](#), Education, Children and Families Committee, 7 December 2021

9. Appendices

- 9.1 Appendix 1 – Sustainable Capital Budget Strategy 2022-32 - Summary
- 9.2 Appendix 2 – Changes from 7 October 2021 Finance and Resources Committee
- 9.3 Appendix 3 – Capital Budget Strategy 2022-32 – Funding Position

A Sustainable Capital Budget Strategy 2022-2032
Capital Investment Programme Summary

Expenditure	Project Area	Forecast	Indicative	Re-profile	Revised	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	
		Slippage from	Budget	to/from Later	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
		2021/22	2022/23	Years	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32		
Directorate	Total	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Education and Children's Services	Early Years	0.000	0.007	3.593	3.586	0.000	-	-	-	-	-	-	-	-	-	
Education and Children's Services	Primary Schools	14.513	4.394	-	5.394	1.000	0.826	7.183	5.504	-	-	-	-	-	-	
Education and Children's Services	Wave 3 Schools	3.576	2.297	-	1.279	3.576	-	-	-	-	-	-	-	-	-	
Education and Children's Services	Wave 4 Schools	277.887	18.000	38.358	13.817	6.541	45.499	68.039	54.714	18.323	9.402	36.997	36.893	1.479	-	
Education and Children's Services	Libraries	3.327	1.597	0.500	0.730	2.827	0.500	-	-	-	-	-	-	-	-	
Education and Children's Services	Sports Facilities	2.513	0.863	0.165	-	1.028	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165	
Education and Children's Services	Properties for House Share	0.891	0.891	-	-	0.891	-	-	-	-	-	-	-	-	-	
Education and Children's Services	Other Communities and Families	0.603	0.603	-	-	0.603	-	-	-	-	-	-	-	-	-	
Education and Children's Services	Infrastructure for Population Growth	157.844	12.670	15.510	9.309	18.871	24.225	28.168	12.262	12.743	21.165	10.010	19.485	10.915	-	
Place	Depot Review	7.036	0.137	-	1.863	2.000	5.036	-	-	-	-	-	-	-	-	
Place	Parks, Greenspace and Cemeteries and Other Environment	5.944	0.681	0.400	1.063	2.144	2.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200	
Place	Fleet Replacement	9.641	1.026	-	5.304	6.330	3.311	-	-	-	-	-	-	-	-	
Place	Home Owners Adaptation Grants and Other Housing and Regeneration	10.130	0.130	1.000	-	1.130	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Place	Town Centre Fund / Place Based Investment Programme	6.224	0.862	1.735	-	2.597	1.209	1.209	1.209	-	-	-	-	-	-	
Place	Transfer of Management of Development Funding (TMDF)	181.406	-	45.182	-	45.182	45.053	45.211	45.960	-	-	-	-	-	-	
Place	Roads and Transport Infrastructure (including North Bridge)	177.282	0.010	24.191	14.511	38.692	27.660	12.039	14.657	14.039	14.039	14.039	14.039	14.039	14.039	
Place	Energy Efficiency Street Lighting Project and Traffic Signals Prudential	4.515	0.329	-	4.186	4.515	-	-	-	-	-	-	-	-	-	
Place	Public Transport, Road Safety and Active Travel	42.851	10.647	8.654	11.731	7.570	8.878	7.343	8.320	2.472	1.654	1.654	1.654	1.654	1.654	
Place	Cycling Walking and Safer Routes (CWSR)	9.240	-	2.310	-	2.310	2.310	2.310	2.310	-	-	-	-	-	-	
Place	10% Cycling Commitment	17.830	-	1.783	-	1.783	1.783	1.783	1.783	1.783	1.783	1.783	1.783	1.783	1.783	
Place	St James GAM/Picardy Place	2.399	2.399	-	-	2.399	-	-	-	-	-	-	-	-	-	
Place	Tram Life Cycle Replacement	7.530	1.008	1.000	3.532	5.540	0.535	0.708	0.287	0.069	0.071	0.073	0.076	0.079	0.092	
Place	IMPACT	5.000	-	-	-	-	-	5.000	-	-	-	-	-	-	-	
Place	King's Theatre (£4m Capital Contribution)	4.000	-	-	-	-	4.000	-	-	-	-	-	-	-	-	
Place	King's Theatre (£5m Prudential Borrowing)	5.000	-	-	-	-	5.000	-	-	-	-	-	-	-	-	
Place	Leith Theatre	0.500	0.500	-	-	0.500	-	-	-	-	-	-	-	-	-	
Place	Other Culture	0.118	0.118	-	-	0.118	-	-	-	-	-	-	-	-	-	
Place	Other Contributions	1.232	1.232	-	-	1.232	-	-	-	-	-	-	-	-	-	
Place	Asset Management Works	149.967	2.033	25.150	-	23.117	13.500	14.000	14.000	14.000	14.000	14.000	14.000	14.000	15.350	
Place	Asset Management Works - EnerPHit	60.850	-	-	4.275	4.275	12.941	19.677	17.484	6.473	-	-	-	-	-	
Place - Lending	Lending - Edinburgh Living LLPs	202.712	11.034	4.856	12.116	28.006	62.413	70.500	41.793	-	-	-	-	-	-	
Place - Trams	Tram to Newhaven	57.101	2.508	41.744	2.241	42.011	15.090	-	-	-	-	-	-	-	-	
Corporate Services	ICT	10.397	3.710	0.807	-	4.517	1.091	1.597	0.669	0.678	0.615	0.615	0.615	-	-	
Corporate Services	Other Projects	0.458	0.458	-	-	0.458	-	-	-	-	-	-	-	-	-	
Edinburgh Health and Social Care Partnership	Health and Social Care Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unallocated		30.000	-	-	-	-	-	5.000	5.000	5.000	5.000	5.000	5.000	5.000	-	
Slippage Assumption	Slipped from Previous Year 50% in Year 1	76.677	-	-	-	-	10.847	14.754	15.587	12.883	5.271	4.362	4.758	5.202	3.014	
Slippage Assumption	Slipped from Previous Year 50% in Year 2	73.663	-	-	-	-	-	10.847	14.754	15.587	12.883	5.271	4.362	4.758	5.202	
Slippage Assumption	In-Year	157.603	-	21.694	-	21.694	29.507	31.173	25.766	10.541	8.725	9.517	10.403	6.027	4.250	
Total Expenditure		1,459.873	27.876	195.244	13.569	236.689	265.564	280.559	231.891	94.873	78.523	85.652	93.628	54.246	38.248	

Funding Opportunities		Forecast	Indicative	Re-profile	Revised	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative
		Slippage from	Budget	to/from Later	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
		2021/22	2022/23	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2031/32
Category	Funding Stream	Total	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Existing Programme - Funding	Asset Sales (Unringfenced)	30.000	-	3.000	-	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000
Existing Programme - Funding	Capital Grants Unapplied Account	-	-	3.422	-	3.422	-	-	-	-	-	-	-	-	-
Existing Programme - Funding	General Capital Grant	445.937	-	40.221	-	40.221	39.080	41.287	41.849	46.000	46.500	47.000	47.500	48.000	48.500
Existing Programme - Funding	Specific Capital Grant - Place Based Investment Programme	5.362	-	1.735	-	1.735	1.209	1.209	1.209	-	-	-	-	-	-
Existing Programme - Funding	Specific Grants - TMDF	181.406	-	45.182	-	45.182	45.053	45.211	45.960	-	-	-	-	-	-
Existing Programme - Funding	Specific Grants - CWSR	9.240	-	2.310	-	2.310	2.310	2.310	2.310	-	-	-	-	-	-
Existing Programme - Funding	Loans Fund Advances - Prudential	41.332	9.945	0.807	11.353	22.105	14.438	1.597	0.669	0.678	0.615	0.615	0.615	-	-
Existing Programme - Funding	Loans Fund Advances - On-Lending	202.712	11.034	4.856	12.116	28.006	62.413	70.500	41.793	-	-	-	-	-	-
Existing Programme - Funding	Loans Fund Advances - Trams to Newhaven	57.101	2.508	41.744	-	2.241	42.011	15.090	-	-	-	-	-	-	-
Existing Programme - Funding	Loans Fund Advances - City Deal	20.661	-	0.359	-	0.359	2.129	10.689	6.666	0.818	-	-	-	-	-
Programme - Funding	Loans Fund Advances - General	261.053	4.389	20.331	-	4.237	20.483	29.670	76.162	56.381	29.489	15.614	15.799	27.459	3.246 - 13.252
Borrowing supported by	Loans Fund Advances - Prudential Schools	104.200	-	25.500	-	25.500	30.000	18.700	30.000	-	-	-	-	-	-
Borrowing supported by	Loans Fund Advances - EnerPHit	10.000	-	-	-	-	-	-	10.000	-	-	-	-	-	-
External Funding	Developers contributions (Wave 4)	12.455	-	5.612	-	5.612	1.158	3.743	0.436	1.506	-	-	-	-	-
External Funding	Developers contributions (LDP)	58.400	-	0.165	-	0.165	-	6.150	1.619	3.382	12.794	19.237	15.053	-	-
Reserves	Capital Fund Drawdown	20.014	-	-	-	-	20.014	-	-	-	-	-	-	-	-
Total Funding Opportunities		1,459.873	27.876	195.244	13.569	236.689	265.564	280.559	231.891	94.873	78.523	85.652	93.628	54.246	38.248

Changes from 7 October 2021 Finance and Resources Committee

Summary of Changes

Description	Amount
Slippage Assumption	0.474
General Capital Grant	- 1.038
Loan Charges	0.564
Movement from October	-

