Governance, Risk and Best Value Committee

10.00am, Tuesday, 8 March 2022

Sustainable Capital Strategy 2022-32 – Annual Report – 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 the annual report on the Sustainable Capital Strategy 2022-32 to the Governance, Risk and Best Value Committee for scrutiny.

Richard Carr
Interim Executive Director of Corporate Services

Contact: Emily Traynor, Assistant Committee Officer
Legal and Assurance Division, Corporate Services Directorate
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Referral Report

Sustainable Capital Strategy 2022-32 – Annual Report

2. Terms of Referral

2.1 On 3 March 2022, the Finance and Resources Committee considered the Sustainable Capital Strategy 2022-32 – Annual Report. The proposed capital strategy provided a high-level overview of how capital expenditure, capital financing and treasury management activity contributed to the infrastructure and provision of services for the benefit of Edinburgh communities and citizens.

2.2 The Finance and Resources Committee agreed:

- 2.2.1 To note the Capital Strategy, as set out in Appendix 1 to the report, and to refer it to full Council for approval.
- 2.2.2 To refer the report to the Governance, Risk and Best Value Committee ahead of full Council to ensure that there was scrutiny prior to the Local Government Elections in May.
- 2.2.3 To note that capital expenditure priorities were being considered in line with the Council's priorities and the Council Business Plan.

3. Background Reading

3.1 Finance and Resources Committee – 3 March 2022 - Webcast

3.2 Minute of the Finance and Resources Committee – 3 March 2022

4. Appendices

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

Finance and Resources Committee

10am, Thursday, 3 March 2022

Sustainable Capital Strategy 2022-32 – Annual Report

Item number	
Executive/routine	
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1. Recommendations

1.1 To note the Capital Strategy, as set out in Appendix 1, and refer to full Council for approval;

1.2 To refer the report to Governance, Risk and Best Value ahead of full Council to ensure that there is scrutiny prior to the Local Government Elections in May; and

1.3 To note that capital expenditure priorities are being considered in line with the Council's priorities and the Council Business Plan.

Richard Carr

Interim Executive Director of Corporate Services

Contact: Liam MacDonald, Senior Accountant,

Finance and Procurement Division, Corporate Services Directorate

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Report

Sustainable Capital Strategy 2022-32 – Annual Report

2. Executive Summary

2.1 This report sets out the proposed capital strategy, which provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the infrastructure and provision of services for the benefit of Edinburgh communities and citizens.

3. Background

3.1 Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties under Part 7 of the Local Government in Scotland Act 2003. The Prudential Code was revised by CIPFA in 2017. A key element of the revised code is that local authorities should have a long-term capital strategy in place that sets out the long-term context in which capital and revenue decisions are made.

Sustainable Capital Budget Strategy 2022-32

3.2 The Sustainable Capital Budget Strategy 2022-32 is a separate report which was presented to Finance and Resources Committee on 3 February 2022. It details priorities for council capital investment over the medium to long-term and sets out a plan on how they could be funded.

3.3 At its meeting on 24 February 2022 Council approved the Sustainable Capital Budget Strategy 2022-32. The approved Capital Budget Strategy 2022-32 will deliver a total programme of capital expenditure of £1,459.873m to 2031/32.

3.4 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.

3.5 This report sets out the Council’s capital strategy and builds upon the capital strategy annual report approved by Council on 4 March 2021.

4. Main report

4.1 In order to deliver Council priorities and for the city to grow in a sustainable way, the Council needs to invest in its existing assets as well as creating new ones. The capital strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services. It also provides an overview of how associated risk is managed and the implications for future financial sustainability.

4.2 The capital strategy is a high-level document, which brings together a number of other key Council strategies. It should be read in conjunction with the following plans and policies

- Sustainable Capital Budget Strategy 2022-2032
- Annual Treasury Management Strategy 2022/23 (on same agenda)
- Revenue Budget Framework 2022/27 – progress update
- Revenue Budget 2022/23 – Risks and Reserves
- Housing Revenue Account (HRA) Budget Strategy (2022-32)
- 2050 Edinburgh City Vision
- Council Sustainability Programme Short Window Improvement Plan
- Local Development Plan
- Local Development Plan Action Programme
- Corporate Asset Strategy
- Property and Asset Management Strategy
- Transport Asset Management Plan
- Council Emissions Reduction Plan
- 2030 Climate Strategy and Implementation Plan

4.3 In addition to the statutory background, Edinburgh and the Council's role and the Council's Business Plan and Vision which now includes more on environmental sustainability, the capital strategy covers the following areas;

- Capital Expenditure and Financing (the Council's capital expenditure plans, and the corresponding financing requirement);
- Treasury Management (how the Council keeps sufficient but not excessive cash to meet the Council's spending needs, while managing risks involved);
- Other investments and long-term liabilities (the Council's non-treasury investments and other liabilities); and

- Knowledge and Skills (the professional skills and knowledge contained within the Council's accounting, treasury and property teams, as supplemented by external advisers).

4.4 The full capital strategy is included in Appendix 1.

4.5 At the Finance and Resources Committee on 3 February 2022, members asked for an update on the Annual Status and Options Report for the Council's bridges and structures. The report itself is a work in progress for the 2021/22 financial year but an update will be available in summer 2022 along with the Capital Outturn report.

5. Next Steps

5.1 This report will be referred to full Council for approval of the capital strategy. The strategy will be updated on an annual basis, with this being the fourth iteration.

5.2 The prudential indicators within will be reporting to Finance and Resources Committee on a quarterly basis along with the capital monitoring.

6. Financial impact

6.1 There are no direct financial implications arising from this report. The implications of the expenditure and investment plans contained in the strategy were considered at Finance and Resources Committee on 3 February and subsequently at the Council's budget setting meeting on 24 February 2022.

7. Stakeholder/Community Impact

7.1 The capital strategy is a high-level document which brings together a number of other Council strategies, each of which is the result of appropriate community engagement.

7.2 Approval of the capital strategy ensures the Council continues to have regard to the Prudential Code when carrying out their duties under Part 7 of the Local Government in Scotland Act 2003.

7.3 There are no sustainability impacts directly arising from this report.

8. Background reading/external references

8.1 Local Development Plan Action Programme, January 2019

8.2 Corporate Asset Strategy, Corporate Policy and Strategy Committee, 12 May 2015

8.3 Property and Asset Management Strategy, Finance and Resources Committee, September 2015

8.4 Transport Asset Management Plan (TAMP), Transport and Environment Committee, 6 December 2018

8.5 Council Business Plan and Budget 2021/26, Finance and Resources Committee, 2 February 2021

8.6 Sustainable Capital Budget Strategy 2022-2032, Finance and Resources Committee, 2 February 2021

8.7 Revenue Budget Framework 2022/27 – progress update, Finance and Resources Committee, 3 February 2022

8.8 Revenue Budget 2022/23 – Risks and Reserves, Finance and Resources Committee, 3 February 2022

8.9 Housing Revenue Account (HRA) Budget Strategy (2022-32), Finance and Resources Committee, 3 February 2022

8.10 Treasury Management Strategy 2022-23, Finance and Resources Committee, 3 March 2022

Appendices

Appendix 1: Detailed Sustainable Capital Strategy 2022-32

Appendix 1: Sustainable Capital Strategy 2022-32

1. Introduction

1.1 The Sustainable Capital Strategy for City of Edinburgh Council provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the infrastructure and provision of services for the benefit of Edinburgh communities and citizens.

1.2 The Strategy takes a long-term view and covers the period from 2022 to 2032.

1.3 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

1.4 The Sustainable Capital Budget Strategy sets out priorities for £1,459.873m of council capital investment, in alignment with the Council Business Plan, over the medium to long-term.

1.5 The Housing Revenue Account (HRA) Budget Strategy (2022-32) sets out priorities for £2,934.365m of HRA capital investment based on tenant priorities, service performance and statutory investment requirements

1.6 The General Fund's Sustainable Capital Budget Strategy 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.

1.7 The General Fund and HRA Capital Budget Strategies are 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.

1.8 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.

1.9 The wider financial implications of City Plan 2030 infrastructure requirements will have some 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. The next stage for City Plan is for it to be approved to go to Examination and the final content of the plan will be shaped by the Examination report. Therefore, whilst the financial modelling will set the basis for developer contributions and any related requirements for Council funding, this cannot be finalised until City Plan 2030 is approved/adopted post Examination

1.10 The Council will need to adhere to International Financial Reporting Standard (IFRS) 16 on Leases from the start of financial year 2022/23, with implementation having been delayed from the 2021/22 financial year. The introduction of IFRS 16 within the Accounts will have a significant impact on the balance sheet from its introduction in 2022/23. The full extent of this increase is yet to be fully understood and therefore further updates will be provided to Council once the 2022/23 position is clear. It should also be noted at the time of writing there was a further consultation being undertaken on a potential further delay to implementation.

2. Statutory Background

2.1 Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties under Part 7 of the Local Government in Scotland Act 2003. The Prudential Code was revised by CIPFA in 2017. A key element of the revised code is that local authorities should have a long-term capital strategy in place that sets out the long-term context in which capital and revenue decisions are made.

3. Edinburgh and the Council's Role

3.1 The past two financial years have been like no others and throughout the pandemic, the Council has worked hard to keep services running, and to deliver vital help to those citizens and businesses who need it most.

3.2 To enable this response, several groups were established, including the Council Incident Management Team (CIMT) and Directorate Incident Management Teams (with escalation to CIMT). These groups have provided a clear, easy to understand and effective governance structure for organising services during the emergency. They have met with differing frequency during the pandemic, operating flexibly to ensure the Council could react rapidly to any arising issues.

3.3 Edinburgh continues to see significant population growth, with an 8.5% increase between 2010 and 2020 compared to a national rise of 4.7% over the same period.

3.4 The majority of this growth is due to net overseas migration. Analysis of population trends suggests that the total number of residents will increase by at least 64,000 people by 2043, with a 72% increase in those aged 75 and over. It is also projected that by 2030 the number of pupils in our primary and secondary schools will increase by 9%. This growth will place further demands on a range of frontline services and as a result, the Council's budget framework continues to provide additional annual sums in respect of growing numbers of school pupils, at-risk children, older people and those with physical and/or learning disabilities.

3.5 Working together as a city, we have a responsibility to act and to end Child Poverty by 2030. Narrowing these gaps and allowing all residents to share in the city's success therefore forms a key strand of the City Vision.

3.6 The proposals contained in our End Poverty in Edinburgh Delivery Plan 2020-2030 report were approved on 1 December 2020 and outline a series of key actions that need to be taken by the Council and partners over the next decade to eradicate poverty in the city by 2030. The comprehensive plan has been drawn up in response to the final report of the Edinburgh Poverty Commission.

3.7 Responding to the global climate crisis is another central part of the Council plan for the future as it wants to be a net-zero carbon city by 2030.

3.8 The three-year Business Plan: *Our Future Council; Our Future City* brings together our 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.

4. City of Edinburgh Council's Business Plan and Vision

Our Future Council; Our Future City

4.1 The Council's new business plan has been developed to cover the next three years. It will act as a guide to make sure we focus on our priorities and deliver real improvements. It is also a guide for our partners, local businesses and communities who are all part of *Our Future Council; Our Future City*.

4.2 A lot has changed in Edinburgh since March 2020, but we have continued our work to support communities and businesses. No matter what new challenges the pandemic brings, this Council will continue to respond quickly to make sure our services are maintained, businesses are supported and the most vulnerable people in the city get the help they need.

4.3 Both Covid-19 and the financial pressures on our budget mean we need to look again at how we deliver services. Over the coming years we will continue to focus on our three priorities:

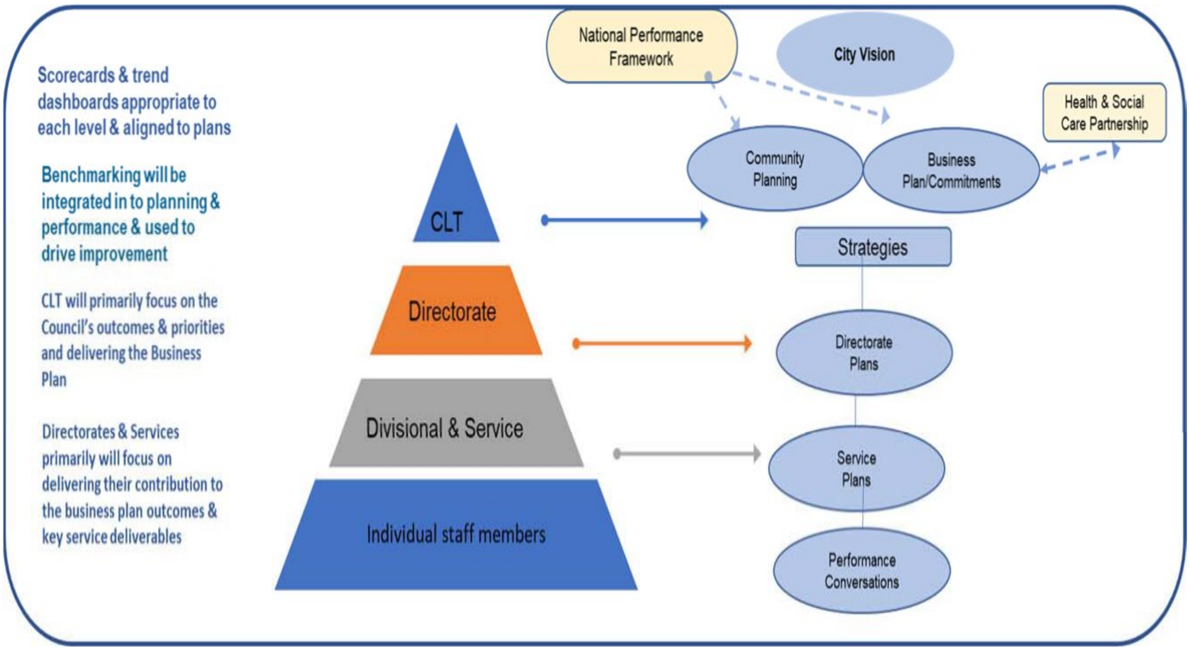
- Ending poverty and preventing adverse outcomes such as homelessness and unemployment;
- Becoming a sustainable and net zero city; and
- Ensuring wellbeing and equalities are enhanced for all.

4.4 The Business Plan forms the central part of the strategic Planning and Performance Framework and sits within the wider ecosystem of strategic planning for the Council as shown in the diagram below.

4.5 The framework has been designed to ensure that our priorities and outcomes are translated into clear actions and performance measures which are appropriately monitored, actioned and delivered. It will be underpinned by the "Plan, Do, Check, Act/Review" continuous improvement model and delivered though a robust annual cycle.

4.6 The approach embeds a "golden thread" between the three-year Council Business Plan, strategies, annual Directorate/ Divisional plans and colleague annual performance conversations, ensuring a clear understanding of our key deliverables across all our services.

Diagram 1: Strategic Planning and Performance Framework



City Centre Transformation, City Mobility and City Plan 2030

4.7 Central to achieving the net-zero target are our City Centre Transformation strategy and the City Mobility Plan.

4.8 The City Centre Transformation plans to create a vibrant and people focused city centre which aims to improve community, economic and cultural life by prioritising movement on foot, bike and public transport.

4.9 Through our City Mobility Plan, we've already started looking at the way we travel around Edinburgh, changing roads and pavements in response to thinking how we can move around our city more easily and sustainably.

4.10 The Council is developing a funding strategy to deliver City Centre Transformation and the wider City Mobility Plan, and this will be reported to a Council Committee later. The expenditure analysis within this Strategy therefore does not include provision for these. Should these projects and funding strategy be approved, this strategy will be amended in future years to reflect Council decisions.

4.11 Following the Choices for City Plan consultation in Spring 2020, the proposed City Plan 2030 has been prepared. It was approved for a statutory period of representation in Autumn 2021 which concluded in December 2021.

4.12 The proposed City Plan 2030 contains policies and proposals to limit the environmental impact of development and minimise carbon emissions by:

- Supporting the outcomes of the City Mobility Plan;
- Strengthening and growing the city-wide green network to connect our places, parks and greenspaces;
- Requiring all new buildings to achieve net zero operation greenhouse gas emissions;
- Requiring all new buildings and refurbishments to incorporate measures to address the climate emergency;
- Designing all new developments to be in a way which tackles and adapts to climate change;
- Promoting higher density, mixed use neighbourhoods to reduce the need to travel for work and everyday services; and
- Supporting Local Place Plans to achieve resilient places and support community ambitions.

4.13 As the city works towards these objectives, it is also predicted to grow. City Plan 2030 sets out how and where growth will happen in the future. Existing plans for development are set out in the current Local Development Plan. The Local Development Plan Action Programme sets out the new infrastructure that is required to accommodate this growth.

4.14 The City Plan 2030 team is currently reviewing feedback from the period for representations prior to presenting responses to committee and submission to Scottish Ministers in the second half of 2022. Once adopted City Plan 2030 will replace the current Local Development Plan.

2050 Edinburgh City Vision

4.15 In the autumn of 2016 the City of Edinburgh Council launched a major conversation about the future of a city and a society, inviting Edinburgh to talk about its aspirations, plans, and concerns, for the first time in a generation: Edinburgh's City Vision for 2050.

4.16 To deliver the 2050 vision and for the city to grow in a sustainable way, the Council needs to invest in its existing assets as well as creating or acquiring new ones. This Capital Strategy for City of Edinburgh Council provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the infrastructure and provision of services for the benefit of Edinburgh communities and citizens. It also provides an overview of how associated risk is managed and the implications for future financial sustainability.

Environmental Sustainability

4.17 Edinburgh is a thriving city and is home to businesses from all industries who are driving innovation and solutions to help tackle the climate crisis and support the city's target of net-zero commitment by 2030. Businesses and stakeholders from across the private, public and third sectors are working together to invest in climate action and make our city resilient to future challenges and build a better future for our citizens. There are many innovative and exciting projects being undertaken in the city to support Edinburgh's net-zero commitment and to help the city meet its climate target.

4.18 The Council has a significant role to play in supporting the city to transition to net-zero carbon by tackling major infrastructure challenges. 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 Implementation Plan and the Council Emissions Reduction Plan

4.19 The 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. The Council is currently assessing its capital budget strategy against the methodology developed by the Institute for Climate Economic to check that spending is in line with our net zero ambition. A report on this will be brought forward to Committee in the Autumn with further information on this.

Other Key Plans and Policies

4.20 As well as the strategies, plans and policies outlined above, the capital strategy should be read in conjunction with the following plans and policies for additional background;

- Sustainable Capital Budget Strategy 2022-2032
- Annual Treasury Management Strategy
- Revenue Budget Framework 2022/27 – progress update
- Revenue Budget 2022/23 – Risks and Reserves
- Housing Revenue Account (HRA) Budget Strategy (2022-32)
- Corporate Asset Strategy

- Transport Asset Management Plan (TAMP)

4.21 At the Finance and Resources Committee on 3 February 2022, members asked for an update on the Annual Status and Options Report for the Council's bridges and structures. The report itself is a work in progress for the 2021/22 financial year but an update will be available in summer 2022 along with the Capital Outturn report.

5. Capital Expenditure and Financing

Capital Expenditure

5.1 Capital expenditure is where the Council spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.

5.2 The Council's policy on capitalisation complies with the accounting requirements for local authorities and is set out in its Audited Annual Accounts. This has been supplemented with a change in accounting policy for capitalisation of interest costs which was approved at Finance and Resources Committee on 21 January 2021.

5.3 The previous Capital Investment Programme 2009-19 has now been superseded by the Capital Budget Strategy 2020-30, which was reported to Finance and Resources Committee on 14 February 2020 and approved at the Council's budget meeting of 20 February 2020. This Capital Budget Strategy will be subject to annual review and will form part of the annual budget setting.

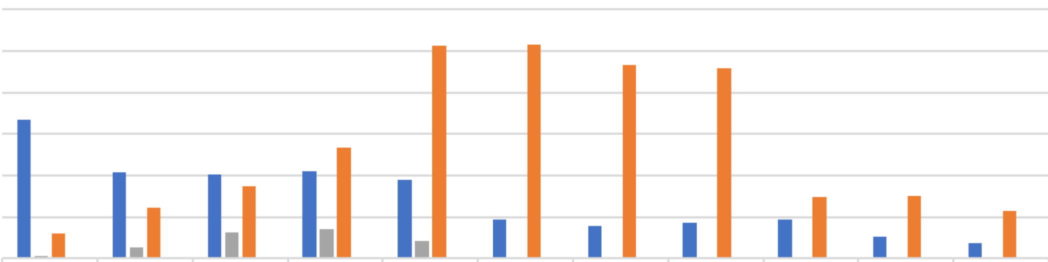
5.4 The latest update was reported to Finance and Resources Committee on 3 February 2022 and approved at the Council's budget meeting of 24 February 2022.

5.5 This Sustainable Capital Budget Strategy 2022-2032 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.

5.6 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.

5.7 In the period 2022/32, the Council is planning total capital expenditure across the General Fund, HRA and Leases of £4,444.237m. Whilst the later years are only indicative at present, they are summarised below:

Chart 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions



	2021/22 Forecast	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	2029/30 Budget	2030/31 Budget	2031/32 Budget
General Fund Services	335.621	208.683	203.151	210.059	190.098	94.873	78.523	85.652	93.628	54.246	38.248
General Fund On-lending	6.995	28.006	62.413	70.500	41.793	-	-	-	-	-	-
HRA - Council Housing	61.980	121.819	174.587	266.705	512.713	515.030	467.769	459.520	149.344	151.721	115.156
PPP and Similar Assets	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000

General Fund Services General Fund On-lending HRA - Council Housing PPP and Similar Assets

5.8 Significant General Fund capital projects through the 2022-32 strategy include[1]:

- Wave 4 Schools - £277.887m

- Asset Management Works and EnerPHit - £210.817m
- Infrastructure for Population Growth - £157.844m
- Investment in Roads and Transport Infrastructure (including North Bridge) - £177.282m
- Trams to Newhaven - £57.101m[2]

[1] Values are those included in the Council's Capital Investment Programme and do not recognise any external funding which has not yet been received, including funding from the Edinburgh and South East Scotland City Deal.
[2] This is budget for financial years 2022/23 to completion in 2023/24. The total project budget for the Tram to Newhaven project is £207m as previously approved at Council.

Housing Revenue Account

5.9 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately.

5.10 The Housing Revenue Account (HRA) Budget Strategy (2022-32) sets out planned capital investment of £1,590.854m over the next five years, rising to £2,934.365m over 10 years to deliver tenant priorities, including building new homes, modernising existing homes and help tenants reduce their cost of living. This is summarised in the table below:

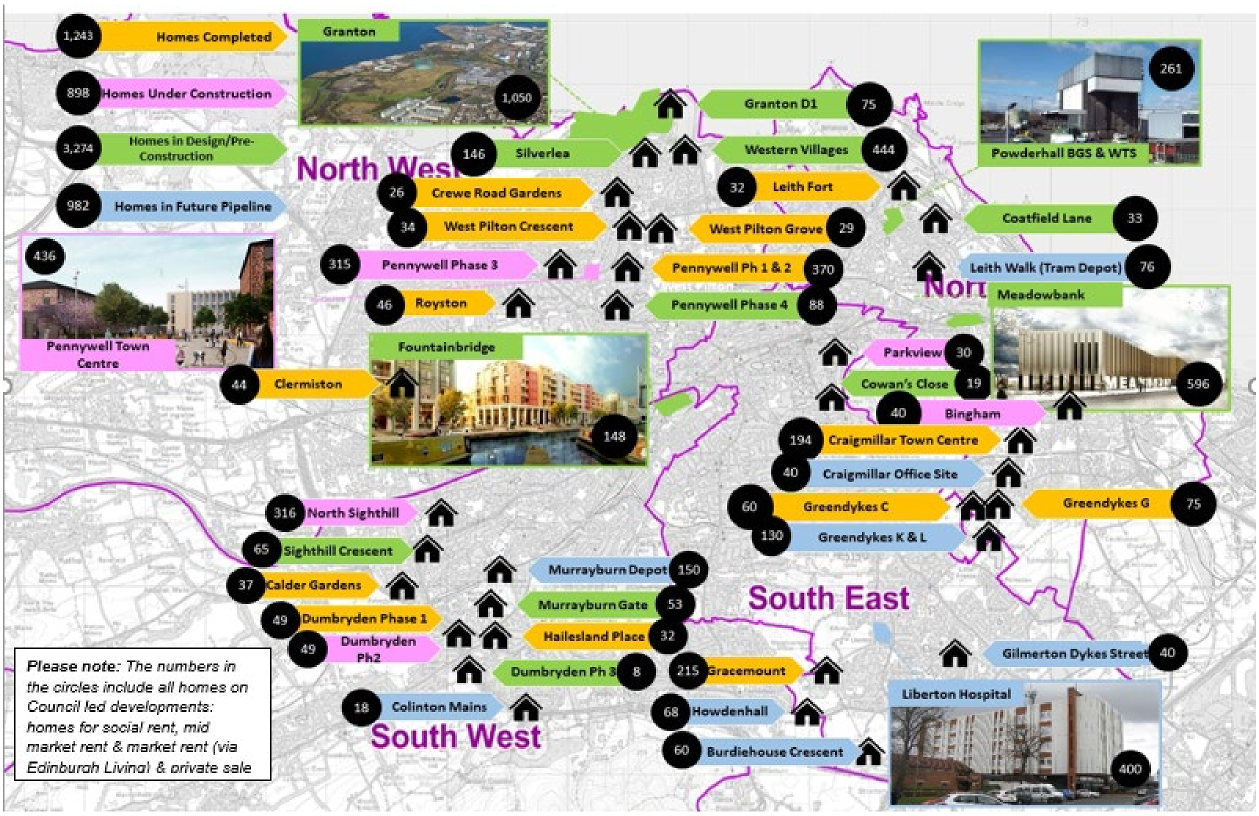
Table 1: HRA Five Year Capital Investment Programme and Ten-Year Investment Strategy

Programme Heading	1 2022/23 £m	2 2023/24 £m	3 2024/25 £m	4 2025/26 £m	5 2026/27 £m	***5 Year*** ***Total***	6 to 10 2027/28 to 2031/32 £m	***10 Year*** ***Total***
Programme Expenditure								
New Homes Development*	43.332	107.049	162.503	398.595	401.714	***1,113.193***	831.748	***1,944.941***
New Home Land Costs	16.800	2.500	17.500	29.433	25.466	***91.699***	39.866	***131.565***
Tenant's Homes & Services	11.337	11.115	14.458	14.786	15.337	***67.033***	82.227	***149.260***
External & common works to housing, estates improvements & property acquisitions	50.350	53.923	72.244	69.899	72.513	***318.929***	389.670	***708.599***
Total Expenditure	**121.819**	**174.587**	**266.705**	**512.713**	**515.030**	***1,590.854***	**1,343.511**	***2,934.365***
Programme Resources								
Prudential Borrowing	87.938	104.216	127.158	167.115	182.537	***668.964***	569.105	***1,238.069***
Capital Funded from Revenue / Reserve	18.300	18.300	10.800	10.800	10.800	***69.000***	43.400	***112.400***
Capital Receipts and Contributions	5.000	7.920	37.912	39.135	48.046	***138.013***	129.382	***267.395***
Receipts from LLPs*	6.444	15.567	56.437	244.445	199.967	***522.860***	422.517	***945.377***
Scottish Government Subsidy (Social)	2.537	26.664	32.158	50.258	72.720	***184.337***	174.307	***358.644***
Scottish Government Subsidy (Acquisition)	1.600	1.920	2.240	0.960	0.960	***7.680***	4.800	***12.480***
Total Funding	**121.819**	**174.587**	**266.705**	**512.713**	**515.030**	***1,590.854***	**1,343.511**	***2,934.365***

5.11 This investment aims to deliver Council commitments on affordable housing and net zero carbon by 2038/39. Capital investment will be accompanied by improvements in how we deliver housing services to increase customer satisfaction. In the 2022/23 HRA budget Councillors agreed a rent freeze for tenants per the 3 February 2022 Finance and Resources Committee and subsequent budget decision on 24 February 2022.

5.12 The HRA Budget Strategy 2022-2032 will also be a catalyst for wider area improvements; including the regeneration of Granton Waterfront, Pennywell, Craigmillar, Meadowbank, Fountainbridge, Powderhall and Wester Hailes.

5.13 Within the Council's housebuilding programme, there are currently over 770 new homes on site and under construction and a further 2,200 homes in design and pre-construction stage. This does not include homes being delivered for private sale or market rent through Council-led developments. All Council-led developments are set out in the map below.



Housing Limited Liability Partnerships

5.14 The Council also uses general fund resources to increase the provision of affordable housing in the city, through lending to arms' length limited liability partnerships under the Edinburgh Living initiatives with £202.712m provided in the strategy. These projects are self-financing because of income from affordable rents. However, it should be noted that at present the City of Edinburgh Council only has consent to borrow from the Scottish Government for Edinburgh Living LLPs up to 2023-24 for a total of £248.000m. The Housing Revenue Account (HRA) Business Plan assumes continuation of the consent beyond this point, in the form of capital receipts in the HRA. Options are being reviewed to address the requirement for consent for future years on-lending.

Identifying Capital Priorities

5.15 New projects can be added to the Council's capital programme in the following ways:

- Allocation of additional resources at the Council's budget meeting in February each year.
- Reprioritisation of existing budgets approved by service committees and, where this represents a change in policy, by full Council.
- Approval of a prudentially funded business case approved by relevant service committee and full Council
- Award of external funding
- A combination of any of the above

Capital Financing

5.16 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing, Public Private Partnerships and similar instruments). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

Capital Financing	2020/21 Actual	2021/22 Forecast	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	2029/30 Budget	2030/31 Budget	2031/32 Budget
Grants	144.153	112.860	98.585	121.236	129.415	147.546	124.680	112.333	101.521	96.607	58.200	72.946
Asset Sales	45.927	18.085	9.444	21.487	92.349	281.580	246.013	236.550	224.256	21.981	22.360	36.752
Capital Fund	(2.000)	6.986	-	20.014	-	-	-	-	-	-	-	-
Supported Borrowing	139.350	137.057	82.416	47.828	12.397	11.469	21.478	11.415	8.915	8.915	8.300	7.700
On-Lending	19.313	6.995	28.006	62.413	70.500	41.793	-	-	-	-	-	-
Other External Income	17.876	6.338	5.777	1.158	9.893	2.055	4.888	12.794	19.237	15.053	-	-
PPP and similar arrangements	2.125	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000
Loans Fund Advances - Self-Financed	53.346	116.275	134.281	166.015	232.709	260.162	212.844	173.200	191.242	100.416	117.107	36.006
Total	**420.090**	**409.596**	**363.509**	**445.151**	**552.263**	**749.605**	**614.903**	**551.292**	**550.171**	**247.972**	**210.967**	**158.404**

5.17 The grants total above does not include external funding where the timing of that funding is uncertain. This includes Sustrans funding for Active Travel.

Loans Fund Review and Policy

5.18 The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 require the statutory loans fund to be administered in accordance with the 2016 Regulations, proper accounting practices and prudent financial management. The Council operates a consolidated loans fund under the terms of these Regulations. Capital payments made by services are financed by capital advances from the loans fund.

5.19 A Loans Fund Review was carried out in 2019/20 with the objective to explore options which could re-profile loans fund repayments in order to assist with delivery of a prudent, sustainable and deliverable medium-term revenue budget strategy, whilst ensuring that the provision remains prudent and appropriate to the benefits that are provided to the community from the associated expenditure.

5.20 The review was reported to Finance and Resources Committee on 14 February 2020. This report revised the Loans Fund debt charge repayment periods, based on a prudent financial management strategy.

5.21 As a result of the Loans Fund Review, the repayments for both historical and new capital advances (with the exception of those detailed below) will be calculated using option 3 – the Asset Life method.

5.22 For capital advances relating to loans to the Edinburgh Living LLPs and capital advances for the Trams to Newhaven project, all advances from the loans fund in the current year have a repayment profile set out using Option 4 – the funding/income method and these capital advances will be repaid using an annuity structure with fixed interest rate and principal repayments.

5.23 The business cases brought forward for other projects involving major capital expenditure funded by borrowing will consider the appropriate repayment method depending on the structure of the business case.

[International Financial Reporting Standard (IFRS) 16 - Leases]

5.24 The Council will need to adhere to IFRS 16 from the start of financial year 2022/23, with implementation having been delayed from the 2021/22 financial year. However, the first disclosure note on IFRS 16 was prepared for the 2019/20 Annual Accounts.

5.25 The objective of IFRS 16 is to report information that represents lease transactions and provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

5.26 IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

5.27 The introduction of IFRS 16 within the Accounts will have a significant impact on the balance sheet from its introduction in 2022/23. This will subsequently have an impact on the Capital Financing Requirement (CFR) from the 2022/23 financial year. Therefore, it should be expected to see an increase in the CFR in future years which will be reported to Council as part of subsequent budget decisions.

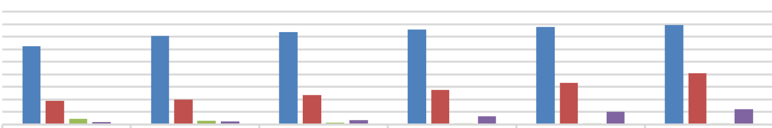
5.28 The interest rate to be used for transitional year 2022/23 is the Incremental Borrowing Rate relevant to the lease term, and in future years it will be the Internal Rate of Return implicit in the lease.

5.29 The current proposed de minimis limit for IFRS 16 is £10,000, in line with the capital expenditure de minimis, however, this figure is yet to be discussed in detail and agreed with our external auditors so is subject to final agreement.

Capital Financing Requirement

5.30 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with loans fund repayments and capital receipts used to replace debt. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Chart 2: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions



	2020/21 Actual	2021/22 Forecast	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget
General Fund Services (including Leases)	1,247	1,415	1,475	1,512	1,558	1,586
HRA - Council Housing	376	398	468	555	665	814
NHT LLPs	88	56	32	24	15	15
Edinburgh Living LLPs	38	44	72	134	203	244

General Fund Services (including Leases) HRA - Council Housing NHT LLPs Edinburgh Living LLPs

Asset Management

5.31 The Council is currently reviewing its approach to the use of its assets to create a 20-minute neighbourhood approach, focusing on how to meet the Poverty and Prevention agenda, and how to move towards a Carbon Neutral City by 2030. This approach would see most of our daily needs being met within a 20-minute round trip walk, cycle or public transport ride, and truly join up service delivery to citizens. As part of this review, the Council needs to consider how to invest in future projects and ensure they align with this approach, to deliver multi service hubs for the whole community, rather than single use buildings. A report on Delivering the 20-Minute Neighbourhood Strategy was considered by Policy and Sustainability Committee in November 2021.

5.32 To ensure that capital assets continue to be of long-term use, the Council has asset management strategy in place. This was set out in 2015 with two documents; the Corporate Asset Strategy approved by Corporate Policy and Strategy Committee in May 2015, and the subsequent Property and Asset Management Strategy reported to Finance and Resources Committee in September 2015. The Asset Management Strategy sets out the objective to create a credible, focused and sustainable delivery organisation for property and facilities management; provide a fit for purpose, right-sized and safe estate; provide an appropriate level of service at an acceptable and efficient cost; and act in a commercial manner in pursuit of maximising value for the Council.

5.33 To make the estate more efficient; the Council spend £100m a year running the buildings it owns. The Council aim to identify sites for new housing, release capital for investment, reduce costs and carbon emissions and is committed to seeing all new buildings meet ambitious net zero carbon targets by adopting Passivhaus standards where possible.

5.34 The Council is also committed to upgrading the existing estate through asset management works, with almost £150m allocated to this purpose in the 10-year capital budget strategy. This will hugely improve the condition and safety of our buildings.

5.35 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.

5.36 On the 18 December 2020 the Scottish Government announced that the Council's Liberton High School and Wester Hailes Education Centre Phase 2 projects would both be part of Phase 2 of the Learning Estate Investment Programme. The Scottish Government will pay for ongoing maintenance of the new facilities through an outcomes-based funding model. This follows the previous announcement on 9 September 2019 that Currie High School would be include within the Scottish Government's first phase of the Learning Estate Investment Programme.

5.37 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.

5.38 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.

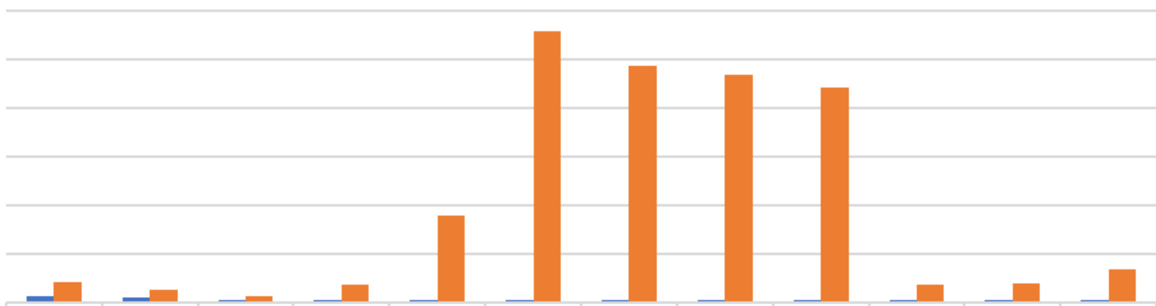
5.39 Furthermore, funding has been provided for library and employability services to be included within the Macmillan Hub project in Pennywell. This is addition to Scottish Government Early Years funding for a new nursery and the recently announced Scottish Government Regeneration Capital Grant Fund 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.

5.40 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.

Asset Disposals

5.41 When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayments of capital grants also generate capital receipts. The Council expects to receive £35.415m of capital receipts in the General Fund in the years 2021/22 to 2031/32 as follows, with significantly more in the HRA through Edinburgh Living:

Chart 3: Capital receipts in £ millions



	2020/21 Actual	2021/22 Forecast	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	2029/30 Budget	2030/31 Budget	2031/32 Budget
General Fund	7.089	5.415	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000
HRA	20.786	12.670	6.444	18.487	89.349	278.580	243.013	233.550	221.256	18.981	19.360	33.752

6. Treasury Management

Treasury Management

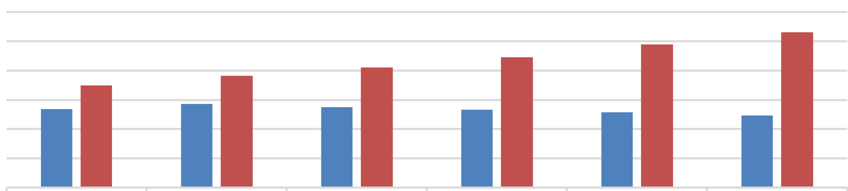
6.1 Treasury management's role is to keep sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent and holds cash reserves, at least in the short-term. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

Borrowing Strategy

6.2 The Council has borrowed £188m during the 2021/22 financial year, bringing the total borrowing over the last three years to £497m mitigating a significant amount of the Council's interest rate risk.

6.3 Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities, leases are shown below, compared with the capital financing requirement as summarised in the chart below:

Chart 4: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions



	2020/21 Actual	2021/22 Forecast	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget
Debt (inc. PPP & Leases)	1,347	1,433	1,379	1,335	1,292	1,228
Capital Financing Requirement	1,749	1,913	2,047	2,224	2,441	2,659

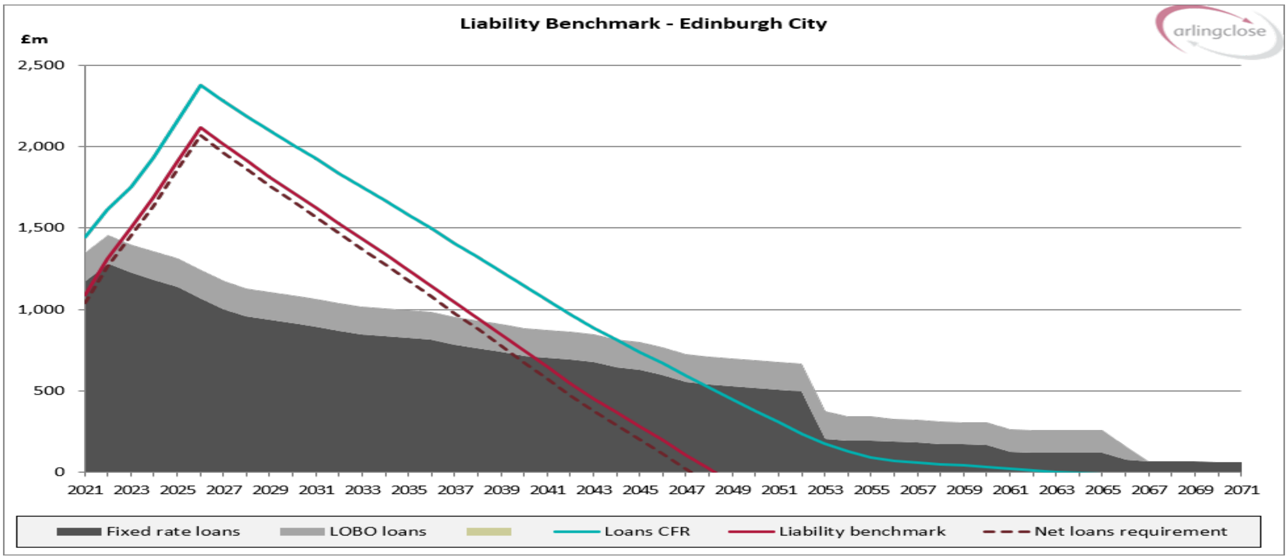
6.4 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from Chart 5, the Council expects to comply with this in the medium term.

Liability Benchmarking

6.5 To compare the Council's actual borrowing against its predicted underlying need to borrow, a liability benchmark has been calculated using the Council's loans and Capital Financing Requirement less its core underlying cash investments.

6.6 The chart below shows the projection of the Council's benchmark produced by the Council's Treasury Advisors:

Chart 5: Liability Benchmark in £ millions



6.7 The chart shows that the Council is projected to be significantly under its liability benchmark over the period. This shows that the Council will require to undertake additional borrowing in the latter years to fund this.

Affordable Borrowing Limit

6.8 The Council sets an affordable borrowing limit (also termed the authorised limit for external debt) each year. A lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 3: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2021/22 Limit	2022/23 Limit	2023/24 Limit	2024/25 Limit	2025/26 Limit
Authorised Limit – Borrowing	1,644	1,980	2,350	2,796	3,247
Authorised Limit – PFI and Leases	296	290	286	281	275
Authorised Limit – Total External Debt	**1,940**	**2,271**	**2,636**	**3,077**	**3,523**
Operational Boundary – Borrowing	1,644	1,930	2,300	2,746	3,247
Operational Boundary – PFI and Leases	296	290	286	281	275
Operational Boundary – Total External Debt	**1,940**	**2,221**	**2,586**	**3,027**	**3,523**

Investment Strategy

6.9 Treasury investments arise from receiving cash before it is paid out again and through reserves and other fund balances. For nearly 7 years from December 2012, the Council did not draw down any external PWLB or market borrowing. The strategy over this period was to fund the Council's borrowing requirement by reducing the Council's temporary investments. The new borrowing undertaken in 2019/20 to de-risk the core funding for the "Trams to Newhaven" project gave the Council additional temporary cash balances. This was used to add duration to the cash fund, significantly increasing its average weighted life. The duration added in December 2019 and March 2020 added significantly to the relative performance of the cash fund as interest rates dropped due to the economic effects of COVID-19 and the lockdown. The lockdowns also created a significant delay in capital expenditure during the year, giving higher cash balances than had originally been anticipated.

6.10 The Council's cash investments are pooled with the sterling cash of Lothian Pension Fund and other associated organisations and invested together. The investment policy for treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Additional liquidity is provided using Money Market Funds. Investments made for service reasons are not generally considered to be part of normal treasury management activity

6.11 Further details on treasury investments are in Appendix 5 of the Annual Treasury Management Strategy report.

6.12 Decisions on treasury management investment and borrowing are made daily and are therefore delegated by the Council to the Service Director: Finance and Procurement and relevant staff, who must act in line with the Treasury Management Policy Statement approved by the Council on the recommendations of the Finance and Resources Committee. Semi-annual reports on treasury management activity are presented to Council. The Governance, Risk and Best Value Committee is responsible for scrutinising treasury management decisions.

7. Other Investments and Long-term Liabilities

Investments

7.1 The Council makes investments to assist local public services, including making loans to and buying share in Council's subsidiaries that assist in the delivery of Council priorities. Examples include investments in the Edinburgh International Conference Centre, the EDI Group, Edinburgh Living LLPs and Energy for Edinburgh. In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to break even after all costs.

7.2 Decisions on service investments are made by the relevant Executive Director or Service Director, in accordance with the scheme of delegation, in consultation with the Service Director - Finance and Procurement and are approved by the relevant executive committee of the Council. Most loans and share purchases are capital expenditure and purchases will therefore also be approved as part of the capital programme.

Commercial Activities

7.3 The Council retains a commercial property investment portfolio for city development purposes, but also derives financial gain from this activity. The investment portfolio consists of over 1,130 assets and is forecast to produce a rental income of c. £15m per annum. This figure continues to be monitored closely as a result of the COVID-19 pandemic and, as is to be expected, rental shortfalls have been budgeted/forecast for financial years 2020/21 and 2021/22. The portfolio is estimated to have a value of c. £230m.

7.4 With economic development being the main objective, the Council accepts higher risk on commercial investment that with treasury investments. The principal risk exposures include voids and falls in rental income. In order to minimise the liability to the Council the portfolio is actively managed on a commercial basis.

7.5 Decisions on commercial investments are made by the Executive Director of Place in line with the criteria and limits set by the Council as part of the Scheme of Delegation and Financial Regulations, and directly through the Finance and Resources Committee, where appropriate. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

7.6 The council also has commercial activities in Edinburgh International Conference Centre and the EDI group. The commercial activities in the EDI group are in the process of being wound down in accordance EDI transition strategy approved by Council on 31 May 2018.

Integration with Wider Financial Strategy

7.7 It is recognised that the Council's capital resources are limited. Borrowing carried out for investment must be repaid from increasingly limited revenue budgets. The Capital Budget Strategy can only be funded if the Council is able to balance its revenue budget over the medium to long term to comply with the terms of the Prudential Code.

7.8 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 for both the General Fund and the HRA.

Risks and Reserves

7.9 The Council undertakes an annual review of its risks and reserves in the context of setting the revenue and capital budgets. The most recent update, Revenue Budget 2022/23 – Risks and Reserves was reported to the Finance and Resources Committee on 3 February 2022 and set out a number of risks (and associated mitigating actions), including potential cost pressures around demographic-led demand, the continuing expenditure and income impacts of the pandemic, pay awards and the financial implications of other legislative changes, as well as the level of future funding settlements and delivery of approved savings.

7.10 The report confirmed the Council's previous decision to increase the unallocated General Fund reserve balance to £25m, equating to around 2.3% of the Council's net expenditure which brings the Council's position in line with other local authorities in Scotland.

7.11 The report also outlined the maintenance of a series of ringfenced reserves for statutory[3] or specific policy[4] reasons or to reflect timing differences between the receipt of income and its subsequent application, including external funding provided late in 2020/21 in response to the COVID pandemic.

Revenue Budget Implications of Capital Strategy

7.12 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and loans fund repayments are charged to revenue, offset by any investment income received. The net annual charge of financing costs is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general grants.

Table 4: Prudential Indicator: Proportion of financing costs to net revenue stream

[3] Including the Insurance Fund, Council Tax Discount Fund (ringfenced for the provision of affordable housing), licensing reserves and sums set aside under the Devolved School Management (DSM) scheme.
[4] Including the Spend to Save and City Strategic Investment Funds.

	2020/21 Actual	2021/22 Forecast	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget
Financing costs (£m) – General Fund Services	79,064	77,903	91,450	93,538	95,012	96,433
Proportion of net General Fund revenue stream	6.82%	6.84%	7.83%	7.92%	7.95%	7.98%
Financing costs (£m) – Housing Revenue Account	34,512	33,435	36,960	40,652	46,252	46,252
Proportion of net HRA revenue stream	32.92%	32.66%	35.07%	37.75%	41.00%	41.00%

7.13 In addition to financing costs, the Council makes provision for all running costs and lifecycle maintenance of assets in its revenue budget planning process. Before inclusion in the capital programme, a business case is created for every new project which sets out the revenue implications and how they will be funded.

7.14 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The implications of capital expenditure have been built into the Council's long-term financial planning assumptions to ensure that the proposed capital programme is prudent, affordable and sustainable.

8. Knowledge and Skills

8.1 The council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.

8.2 The Finance and Procurement function, within the Council's Corporate Services Directorate, has qualified accountants working throughout the Division. The accountancy function is an accredited employer with regard to Continuing Professional Development (CPD) with the following accountancy bodies: CIPFA, CIMA, and ACCA. This accreditation is assessed externally every 3 years with the most recent review this year.

8.3 The accounting function has been externally assessed as being a Platinum Accredited Employer for training and continuing professional development (CPD) by CIPFA in recognition of the development opportunities provided to staff.

8.4 Benchmarking information (2018) showed that the Council had an above average number of qualified staff compared with other local authorities across the UK with over 66% of staff being qualified or part-qualified. Support is provided for those engaged in study for accounting, treasury and insurance qualifications. The CPD assessment undertaken by CIMA examines the provision of training and guidance available to staff on ethical issues including whistleblowing and money laundering legislation.

8.5 The 2019 CIPFA Benchmarking showed the Council to be 20.5% below the peer group staffing cost and 35% below peer group staffing numbers. While the definition of Finance was slightly wider, Scotland-specific benchmarking published in 2019 showed the Council to have the lowest relative expenditure on Finance support of any council in Scotland.

8.6 As well as finance qualifications, the Treasury Team hold a range of Treasury, Investment and Banking qualifications including the CIPFA/ACT Certificate in International Treasury Management – Public Finance and the Investment Management Certificate. The team also has a wide range of knowledge and experience in investment instruments as well as debt and other funding structures.

8.7 The Estates team, within the Council's Place Directorate, through which the property investment portfolio is managed, has RICS qualified surveyors working across the Division, the majority of which are also members of the Registered Valuers scheme.

8.8 In addition, use is made of external advisers and consultants that are specialists in their field, when specialist technical advice is required. This approach is more cost effective that employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

9. Conclusion

9.1 The Capital Strategy is a reporting requirement introduced by the 2017 edition of the CIPFA Prudential Code, with the first iteration published in March 2019 and annual updates provided thereafter.

9.2 In December 2021, the CIPFA Prudential Code for Capital Finance in Local Authorities (2021 Edition) was published. Further developments for capital strategies were made in this update following their introduction in 2017, such as setting the strategy in the context of the organisation's corporate objectives.

9.3 The Capital Strategy takes account of the City of Edinburgh Council's Business Plan, Corporate Objectives and Vision whilst considering any new investment within the context of growing in a financial and environmentally sustainable way.

9.4 COVID-19, revenue funding pressures and the true costs of creating low carbon infrastructure will have an impact on what the Council can afford in both the General Fund and HRA, and it needs to ensure that the projects taken forward are the right choices with more limited revenue funding resources.

9.5 The Council has a significant role to play in supporting the city to transition to net-zero carbon by tackling major infrastructure challenges. 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 Implementation Plan and the Council Emissions Reduction Plan which are part of our environmental sustainability.

9.6 The Council 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 as we adopt the 20-minute neighbourhood approach.

9.7 This Capital Strategy for City of Edinburgh Council provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the infrastructure and provision of services for the benefit of Edinburgh communities and citizens. It also provides an overview of how associated risk is managed and the implications for future financial and environmental sustainability.