

Finance and Resources Committee

10.00am, Tuesday, 18 November 2025

Granton Waterfront, Phase 1 Final Business Case

Decision/scrutiny
Wards

Decision
4 – Forth

1. Recommendations

- 1.1 The Finance and Resources committee is asked to:
 - 1.1.1 Note the findings and recommendations as set out within the Final Business Case (FBC);
 - 1.1.2 Agree that the Council and Cruden Homes Limited enter into a Development Agreement to deliver Granton Waterfront Phase 1, subject to approval by the Council (see recommendation 1.1.3); and
 - 1.1.3 Refer this report to the City of Edinburgh Council for approval as the proposed investment in Granton represents a material change to the Council's capital budget and additional prudential borrowing of £38.4m.

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Granton Waterfront, Phase 1 Final Business Case

2. Executive Summary

- 2.1 Over the next 10-15 years, Granton Waterfront regeneration will continue to set the standard for sustainable economic growth in Edinburgh. Phase 1 of this ambitious programme of regeneration, will further reinforce the City's approach to low carbon living in an environment that is climate resilient, inclusive and well connected, supporting prosperity and wellbeing, locally, and across the city region.
- 2.2 This report sets out the Final Business Case (FBC), see appendix 1, alongside seeking approval to enter into a development agreement to deliver Phase 1 of the Granton Waterfront regeneration.

3. Background

- 3.1 Granton Waterfront is a large post-industrial brownfield site on the Firth of Forth in the northwest of Edinburgh, surrounded by neighbourhoods experiencing high levels of socio-economic inequality.
- 3.2 It is part of the wider Edinburgh Waterfront, designated as a National Development under Scotland's National Planning Framework (NPF4). It is one of seven strategic sites prioritised for delivery as part of the Edinburgh and South-East Scotland City Region Deal.
- 3.3 The Council own around 50 hectares of development land in Granton Waterfront and on [26 February 2020](#) the Planning Committee approved the Development Framework for Granton Waterfront as non-statutory planning guidance, setting out the vision and key principles for all future development.
- 3.4 On the [5 October 2021](#), the Policy and Sustainability Committee approved the Outline Business Case for the Granton Waterfront Development, alongside pre-development activities, which included the procurement of a development partner with whom to carry out pre-development work with, producing a Final Business Case (FBC) for Phase 1 'Heart of Granton' and progression of the business case stages for a low carbon district heat network.

- 3.5 Following a competitive procurement process, the Council secured a development partner, Cruden Homes Limited (Cruden), in July 2022, to take forward pre-development services for Phase 1 of the regeneration programme.
- 3.6 On [21 November 2023](#), following a competitive procurement process, Finance and Resources approved the award of a contract to deliver pre-development services for the Granton Heat Network to Vattenfall Heat UK Ltd (VHUK) as a pre-concessionaire partner.
- 3.7 Alongside the development partner, the Council carried out community consultation on the Phase 1 masterplan over summer 2023. Subsequently, Phase 1 was granted planning approval in November 2024.
- 3.8 Pre-development activities for both Phase 1 and the Granton Low Carbon Heat Network have now reached conclusion.
- 3.9 In parallel with delivering these pre-development services and producing an FBC, a series of early action projects aimed at accelerated delivery of net zero carbon ready affordable homes, enhancing connectivity and providing commercial and creative workspace have been taken forward, most of which are complete or nearing completion.
- 3.10 Progress to date has included the completion of 75 net zero carbon ready affordable homes alongside commercial space at Granton Station View, 444 net zero carbon ready homes for sale and rent recently completed at Western Villages, and a further 143 affordable net zero carbon ready homes at an advanced stage of construction at Silverlea. In addition, the area has also benefited from the refurbishment of Granton Station into a creative hub (along with the creation of Station Square, a new civic space), the opening of The Pitt in a repurposed industrial building at 20 West Shore Road, the restoration of the Granton Gasholder into a new city park, and the upgrading of a core path to form the Speirs Bruce Way.
- 3.11 The work to produce the FBC and progress on the early action projects is overseen by the Edinburgh Waterfront All Party Oversight Group, in conjunction with an officer led, Granton Waterfront Programme Board.

4. Main report

- 4.1 Over the next seven years (2026 – 2033), Phase 1 of Granton Waterfront regeneration will deliver 847 net zero carbon ready homes in a mix of housing types and tenure, including 45% of affordable tenure (which includes 214 homes for Council social rent), a serviced plot for a new school and other community uses, 2,250 sqm of commercial space, placemaking including high quality landscaping and public realm, and sustainable transport infrastructure including a mobility hub.
- 4.2 The Council's success in securing a high percentage of Scottish Government grant funding, including 37% of the Capital funding required to deliver Phase 1, in addition to meeting 60% of revenue debt servicing payments through an innovative new

funding stream known as the “Granton Place Accelerator” makes delivering this challenging project viable alongside helping meet key local and national policy objectives.

4.3 The main findings of the FBC are set out below:

Strategic Case

4.4 Phase 1 of Granton Waterfront can make a significant contribution to the delivery of multiple policies for Edinburgh, including the Council’s Business Plan, City Plan 2030, the City Mobility Plan, Climate Ready Edinburgh Plan 2024 – 2030 and the Edinburgh 2030 Climate Strategy through the delivery of homes, jobs, education, enhanced services, expanding the green and blue infrastructure and sustainable transport to tackle inequalities and enhance socio-economic and health outcomes.

4.5 Phase 1 also helps deliver on key commitments set out in Programme for Government, 2025-2026, with the aim of eradicating child poverty, growing the economy, tackling the climate emergency, and ensuring high quality and sustainable public services.

Economic Case

4.6 A cost benefit analysis and economic impact assessment in line with HM Treasury Green Book guidance has been carried out on Granton Waterfront Phase 1 at an Edinburgh, Edinburgh City Region and Scotland level.

4.7 The economic impact assessment considers the impacts of both the construction phase and the operating phase, combined for a 60-year period.

4.8 Phase 1 delivers a benefit-cost ratio (BCR) of 3.0 at an Edinburgh level, weighted to reflect deprivation in Granton Waterfront. BCRs of less than 1 represent poor value for money, while those between 1 and 2 represent good value for money and those over 2 represent high value for money. In this context, public sector investment in Phase 1 represents high value for money on a weighted basis.

4.9 Phase 1 investment will also generate significant wider non-monetised benefits such as reduction of carbon emissions, alleviation of fuel poverty and an increase in health and well-being. Therefore, in practice, the BCR will be comfortably above stated monetised levels.

Commercial Case

4.10 The commercial case builds on the findings of the Granton Waterfront OBC, setting out a robust delivery route for Phase 1 development.

Development Agreement

4.11 The development period will run between 2026 – 2033. The key elements of the development agreement are securing a fixed price for the Council which includes site wide enabling and infrastructure works and delivery of Council social rent

tenure homes. The development partner will act as master developer, managing the sequencing of construction and the interface between different work packages.

- 4.12 The development partner will build out the Council's social rent homes under licence, on completion, the Council will own and manage and maintain these homes.
- 4.13 The development partner will pay the Council a capital receipt for enabled housing plots for private sale and (Registered Social Landlord) RSL development.
- 4.14 The development partner will construct the homes for private sale on Council-owned land under a licence to occupy. On sale of each home, title will transfer directly from the Council to the homeowner.
- 4.15 In addition to the homes, the development partner will deliver a serviced plot for a primary substation and a serviced plot for a new school. The construction of the school will be taken forward by the Council's school delivery team and appointed contractor.

Low Carbon Heat Solution

- 4.16 The Council have been working with VHUK under a pre-development contract to take forward the development of a low carbon heat network with proposed connections to include existing facilities in the area and the new development.
- 4.17 In September 2025, following more than 18 months of pre-development activity, VHUK confirmed their intention to terminate the pre-development contract between the parties citing numerous risks which they considered remained unresolved including a lack of confidence in customer connections, a lack of certainty on capital and operating costs and gaps in assurance on the technical deliverability of the proposed heat source solution.
- 4.18 As such, VHUK will not proceed with the concession agreement to deliver the proposed heat network. The pre-development stage of the contract was fully funded by VHUK, and a termination agreement is now in place.
- 4.19 The Council project team have considered alternative options for taking forward a heat network including procuring another proposed concessionaire, the Council delivering and operating the heat network itself by procuring a design and build contractor, and Cruden designing and delivering a communal energy centre to serve the Council's 214 social rent homes only. Each of these alternative options have been discounted as they would require significant time to complete design, secure planning permission and conclude a procurement process.
- 4.20 To ensure momentum is not lost and that site wide infrastructure and enabling and delivery of homes can get underway with minimal delay and impact to cost, it is not possible for an alternative option for delivery of a heat network to be taken forward at this time.
- 4.21 Working with Cruden to consider a local solution they would deliver that has minimal impact to current design and planning permission, heat and hot water will now be

provided to homes via an exhaust air source heat pump located in each individual home.

- 4.22 This all electric low-carbon solution works by recovering warm exhaust air from bathrooms and kitchens - air that would otherwise be extracted and lost to the outside - and uses a highly efficient refrigeration cycle to raise its temperature. The recovered heat is then used to generate hot water for space heating (e.g. central heating radiator systems) and for domestic hot water at taps and showers.
- 4.23 The advantages of this system over the heat network are the residents' ability to shop around for the best deal in terms of energy cost rather than being tied to one supplier, and tariffs being subject to the energy price cap. This will ensure residents can maximise energy tariff savings as far as possible whilst having price cap protections in place. For the new homes being developed as part of phase 1 this solution fulfils the same objectives of the heat network. This low carbon solution is being delivered or proposed to be delivered at other Council housing developments across the city including Silverlea, Fountainbridge and Meadowbank.
- 4.24 As there is no longer a requirement to deliver a centralised energy centre within the development area, the Council and Cruden are undertaking a feasibility study to determine the number of additional homes that could be built out on this site and these will be taken forward through a contract variation to the development agreement.

Financial Case

- 4.25 The financial model produced for the Granton Waterfront OBC has been revised and updated to incorporate a market tested final price cost plan focussing on Phase 1 delivery. This cost plan has been independently verified by a cost consultant appointed by the Council as representing value for money.
- 4.26 The total cost of this development to the Council is £142.8m, which represents costs for site-wide enabling and infrastructure and the delivery of 214 net zero carbon ready homes for social rent.
- 4.27 A funding strategy has been developed in order to take this project forward, which includes support from the Scottish Government and potential financing from the National Wealth Fund.
- 4.28 It is imperative that this phase of the regeneration commences as planned at the start of 2026 to ensure that the project can be delivered within the affordability envelope set out within this Final Business Case and that Government grant funding secured specifically to take forward Phase 1 is utilised accordingly.
- 4.29 An analysis of financial risks has been carried out with appropriate sensitivity testing.
- 4.30 The Financial Case concludes that this development is affordable to the Council.

Management Case

- 4.31 The Management Case sets out key project milestones for the delivery stage of Phase 1 Granton Waterfront regeneration.
- 4.32 The Development Agreement will secure the development partners role as master developer managing the sequencing of construction for the homes and site wide infrastructure alongside the interface between different work packages, including the delivery of a serviced plot for the primary substation and school.
- 4.33 Construction of the new primary school will be carried out through the Council and its appointed contractor for this project. Early engagement and collaborative working between the Council's project managers and appointed consultant/ contractors will ensure co-ordinated design and future construction works. A clear governance and reporting route has been established to ensure robust management, monitoring and reporting.
- 4.34 A risk management strategy has been developed to promote clear ownership across the programme.
- 4.35 Strong programme governance and programme management arrangements are in place which includes wider stakeholder management.

5. Next Steps

- 5.1 Finance and Resources Committee refers this report to the City of Edinburgh Council for approval as the proposed investment in Granton represents a material change to the Council's capital budget;
- 5.2 The Council and Cruden Homes Limited enter into a development agreement to deliver Granton Waterfront Phase 1;
- 5.3 Cruden commence Phase 1 enabling works in January 2026; and
- 5.4 The Council and Cruden take forward the design development of up to 20 additional Council homes on the gap site where the heat network energy centre was to reside and instruct their delivery through a contract variation.

6. Financial impact

Affordable Housing and Placemaking Infrastructure

- 6.1 The business case sets out Capital Expenditure of £142.8m. This is made up of £84.3m for the 214 Council-owned social rented homes to be funded by the Housing Revenue Account (HRA) and a further £58.5m of decontamination, enabling works and provision of wider infrastructure to be funded from the general fund.

- 6.2 The £84.3m of HRA costs is offset by an assumed £22.3m of Affordable Housing Grant, leaving a net cost of £62.0m. The loans charges associated with this prudential borrowing comprise principal payments of £62.0m and interest of £60.9m based on an assumed interest rate of 5.25%. This equates to an average annual repayment of £4.1m over a 30-year period and can be funded within wider HRA business plan assumptions.
- 6.3 The £58.5m of general fund expenditure is offset by Scottish Government Housing Infrastructure Grant of £15.9m and capital receipts and developer contributions of £4.2m. This leaves £38.4m to be met from further prudential borrowing, predominantly in the form of a potential loan from the National Wealth Fund.
- 6.4 The loans charges associated with this prudential borrowing comprise principal payments of £38.4m and interest of £31.4m based on an assumed interest rate of 5.25%. This equates to an average annual repayment of £2.3m over a 30-year period on an Equal Instalments of Principal basis, although repayments are higher in early years and reduce as the advances are repaid. A funding package has been developed to meet this cost comprising:
- 6.4.1 Scottish Government Place-Based Accelerator funding (£2.1m per annum for 20 years)
 - 6.4.2 A proportion of the additional Council Tax Revenue from the development (£0.83m per annum for 30 years)
 - 6.4.3 Commercial Rents (£0.1m per annum for 30 years)

7. Key Policies

Equality and Poverty

- 7.1 Granton Waterfront regeneration supports equality and the alleviation of poverty by providing a high percentage of good quality affordable homes within a mixed tenure neighbourhood where communities can access school, services, green space, sustainable travel, work and learning opportunities. By combining affordable homes, lower costs and access to a wide range of opportunities, barriers that exist to better life outcomes can be broken down to help create resilient, inclusive communities.

Climate and Nature Emergencies

- 7.2 As a public body, the Council has statutory duties relating to climate emissions and biodiversity. The Council:
- 7.2.1 “must, in exercising its functions, act in the way best calculated to contribute to the delivery of emissions reduction targets” (Climate Change (Emissions Reductions Targets) (Scotland) Act 2019), and
 - 7.2.2 “in exercising any functions, to further the conservation of biodiversity so far as it is consistent with the proper exercise of those functions” (Nature Conservation (Scotland) Act 2004).

- 7.3 The City of Edinburgh Council declared a Climate Emergency in 2019 and committed to work towards a target of net zero emissions by 2030 for both city and corporate emissions and embedded this as a core priority of the Council Business Plan 2023-27. The Council also declared a Nature Emergency in 2023.
- 7.4 Phase 1 of Granton Waterfront directly responds to this by embedding low carbon design, renewable energy, ecological restoration and extensive blue-green infrastructure at the heart of the masterplan to reduce emissions and increase biodiversity.

Environmental Impacts

- 7.5 Phase 1 of Granton Waterfront regeneration will replace derelict brownfield land with climate-resilient, net zero ready housing, green and blue infrastructure, and sustainable transport infrastructure. The development is designed to cut carbon emissions, enhance local ecology and create a connected, people centred waterfront.

Housing Emergency

- 7.6 The Council declared a housing emergency in November 2023. The Housing Emergency Action Plan (HEAP) was considered by the Housing, Homelessness and Fair Work Committee on 25 February 2025.
- 7.7 Granton Waterfront aligns with HEAP in key areas such as supply, affordability and community focused development. Phase 1 will bring 847 net zero ready homes with 45% being affordable tenure.

8. Risk, compliance, governance and community impact

- 8.1 Ongoing extensive consultation and engagement using multiple methods has been undertaken on this phase of the regeneration and the wider programme. This engagement will continue through the delivery phase to ensure that the outcomes from the investment meet expectations and aspirations of the existing and emerging communities aligning with City Plan 2030, NPF4 and the Council's business plan in delivering a transparent, inclusive and ongoing engagement process throughout the lifetime of the project.
- 8.2 An [integrated impact assessment](#) has been carried out for Granton Waterfront regeneration which records the positive and negative impacts of the proposed development and suggested mitigating actions.
- 8.3 Granton Waterfront Phase 1 has a live risk register that is updated regularly. This will continue throughout the construction period.
- 8.4 Commercial risk relating to the procurement of this project has been appraised and the risk of challenge is considered to be low. This risk is also mitigated by alternative options available to the Council to achieve the intended outcome such as a direct award under a framework contract.

- 8.5 As overall accountability of the project sits with the Granton Waterfront Programme Board, risks will be reported vertically to the Programme Board on a regular basis with clear categorisation of where risks sit within the context of the project and the wider statutory/corporate environment.

9. Background reading/external references

- 9.1 [Granton Waterfront Development Framework.](#)
- 9.2 [Granton Waterfront Outline Business Case.](#)

10. Appendices

Appendix 1 – Granton Waterfront Phase 1 Final Business Case – October 2025.



Granton Waterfront

Phase 1
Final Business Case

October 2025



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1. Introduction

Project background and overview

- 1.1. Granton Waterfront is a 140-hectare brownfield ex-industrial coastal neighbourhood located in an economically disadvantaged area of north Edinburgh. National Planning Framework 4 (NPF4) has designated Edinburgh Waterfront (of which Granton Waterfront forms part), as a “National Development”, with an aim to create a mixed-use development of the highest quality.
- 1.2. Granton Waterfront is one of seven strategic sites prioritised for delivery, as part of the Edinburgh and South-East Scotland City Region Deal.
- 1.3. In 2018, the Council, who own around 50 hectares of developable land within Granton Waterfront, formed a strategic partnership with five other public sector organisations – Edinburgh College, National Galleries of Scotland, National Museums Scotland, the Scottish Futures Trust and the Scottish Government – to accelerate the regeneration of Granton Waterfront. The six organisations are collectively referred to as the “Strategic Partners”.
- 1.4. In February 2020, the Council agreed a Development Framework setting out the vision, strategy, and high-level design principles for the regeneration of the Granton Waterfront. The Council also agreed a Programme Delivery Plan setting out the high-level route to delivery.
- 1.5. Over the next 10-15 years, the Granton Waterfront regeneration programme will create a new residential-led mixed-use community, home to around 8,000 people on Edinburgh’s waterfront. It will deliver around 3,500 net zero carbon ready homes (of which at least 35% – 1,225 – will be affordable), a primary school, a health centre, commercial and cultural space and a coastal park. This development will be supported by new cycling and walking routes and enhanced public transport connections.
- 1.6. The revitalisation of Granton Waterfront’s historic buildings and industrial built heritage, coupled with the delivery of new leisure and recreation opportunities, will significantly increase visitors to the area, creating new local employment opportunities. Partner organisations to the Council will deliver substantial new cultural and educational assets in the Granton Waterfront over the regeneration timeframe. The overall development will make a significant contribution to Edinburgh’s target to become a net zero carbon city, through a mix of energy efficient buildings, clean heat solutions, sustainable travel options and a nature-based approach to climate mitigation and adaptation.
- 1.7. In 2021, the Council initiated an early action programme to kick start the regeneration, creating a sense of place through the delivery of new homes,

commercial, leisure and cultural facilities. Progress to date has included the completion of 75 net zero carbon ready affordable homes alongside commercial space at Granton Station View, 444 net zero carbon ready homes for sale and rent now complete at Western Villages, and a further 143 affordable net zero carbon ready homes at an advanced stage of construction at Silverlea. In addition, the area has also benefited from the refurbishment of Granton Station into a creative hub (along with the creation of Station Square, a new civic space), the opening of The Pitt in a repurposed industrial building at 20 West Shore Road, the restoration of the Granton Gasholder into a new city park, and the upgrading of a core path to form the Speirs Bruce Way.

- 1.8. An Outline Business Case (OBC) for Granton Waterfront was approved in 2021. A phased investment approach has been agreed; this approach is expected to maximise market certainty, unlock key sites and support the best use of available funding.
- 1.9. Following a competitive procurement process, the Council secured a development partner, Cruden Homes Ltd, in July 2022 for the pre-development period of Phase 1 of the Granton Waterfront regeneration programme.
- 1.10. Alongside the development partner, the Council carried out community consultation on the Phase 1 masterplan over summer 2023. Subsequently, Phase 1 was granted planning approval in November 2024.
- 1.11. A Granton Waterfront Heat Network Business Case (BC) was completed in March 2023. Following a procurement process, in November 2023, the Council appointed a proposed heat network concessionaire, Vattenfall Heat UK LTD (VHUK), to take forward the development of a low carbon heat network with proposed connections to the new development and other selected new and existing facilities in the area.
- 1.12. In September 2025, following more than 18 months of pre-development activity, VHUK confirmed their intention to terminate the pre-development contract between the parties citing numerous risks which they considered remained unresolved including a lack of confidence in customer connections, a lack of certainty on capital and operating costs, and gaps in assurance on the technical deliverability of the proposed heat source solution. As such, VHUK will not proceed with the concession agreement to deliver the proposed heat network. The pre-development stage of the contract was fully funded by VHUK, and a termination agreement is now in place.
- 1.13. The main aim of the low carbon heat network was to help provide a cost-effective route to deliver net zero carbon ready new build housing at Granton Waterfront, whilst also connecting into existing homes and non-residential units. This aim has largely been fulfilled through the provision of an alternative low carbon heat and hot water solution within the new homes which also brings additional benefits as

outlined within section 4.19. The wider aim of providing a heat solution that could connect into existing homes and non-residential units is something that the Council will continue to explore as it moves forward with further phases of this ambitious regeneration programme.

1.14. With a primary focus on place making, **Phase 1** of the regeneration will deliver:

- 847 net zero carbon ready homes in a mix of housing types and tenure, including 45% of affordable tenure,
- Capacity for a new school and other community uses,
- Approximately 2,250 sqm of commercial space,
- Placemaking including high quality landscaping and public realm, and
- Sustainable transport infrastructure including a mobility hub.

1.15. **Granton Waterfront Phase 1** (as outlined within the red boundary below).



1.16. £38.2m (37%) of the Capital funding required to deliver Phase 1 of Granton Waterfront has been secured through grant funding applications to the Scottish Government (SG) and £42m (60%) of revenue debt servicing payments will be met through an innovative new funding stream known as the “Granton Place Accelerator” fund. Under this mechanism, SG will grant the Council £2.1m per year for 20 years from 2028/29, contingent upon successful achievement of place-based targets as set out in the grant agreement. It is imperative that this phase of the regeneration commences as planned at the start of 2026 to ensure

that the project can be delivered within the affordability envelope set out within this Final Business Case and that Government grant funding secured specifically to take forward Phase 1 is utilised accordingly. Section 5, the Financial Case of this FBC provides further detail on both the funding and criteria.

2. Strategic Case

Chapter summary

- **Phase 1 of the public sector-led regeneration of Granton Waterfront will play a key role in meeting the needs of a growing city; delivering new homes (including affordable provision) and workspaces (to meet contemporary social and economic needs) within a community centred on sustainability.**
- **This ambitious regeneration programme also supports the delivery of the City of Edinburgh Council Business Plan, the Edinburgh City Mobility Plan, Edinburgh City Plan 2030, Climate Ready Edinburgh Plan 2024 - 2030 and the Edinburgh 2030 Climate Strategy. It also supports the delivery of key national policy objectives as set out in NPF 4, Housing to 2040 and the Programme for Government, 2025-2026.**
- **Granton Waterfront supports the delivery of local and national policy objectives with a key emphasis on reducing child poverty and addressing the nature and climate emergencies. This will be achieved through improved access to employment, affordable and energy efficient housing, sustainable active travel provision and improved services (in particular, education) which will come together and create a nurturing environment for communities to thrive in a sustainable environment.**

Introduction

- 2.1. The Strategic Case sets out the strategic rationale for investment in Granton Waterfront Phase 1, evidencing how the regeneration programme will help the city, the wider region and Scotland achieve key policy goals through delivery of new net zero carbon ready homes, capacity for a school, sustainable transport infrastructure and workspace.

Background

- 2.2. Edinburgh is a growing city, with annualised population growth of around 1.7% - representing over 8,600 new residents each year. This, coupled with changing household sizes, drives demand for new homes, along with workspaces, retail/leisure destinations, and social infrastructure such as schools, libraries, nurseries and health centres. There is particular demand for affordable housing, with the popularity of Edinburgh as a place to live resulting in some lower-income households being priced out of the market. The Scottish housing crisis is

particularly acute in Edinburgh, due in part to it having the lowest proportion of social housing of any of the 32 Scottish local authorities, with around 200 bids for every social rented home. Pressures on affordable housing coupled with the population increase have contributed to a rise in homelessness across the city. In November 2023 – in response to the affordability crisis, a growing shortage in the supply of homes (particularly affordable housing), and a need for investment in existing homes to meet modern requirements in terms of energy efficiency and needs – Edinburgh declared a housing emergency.

- 2.3. Over the last few decades, Edinburgh’s economy has experienced a steady shift away from primary industries and manufacturing towards the service sector, with longstanding sources of employment such as financial and professional services having been augmented by the rapid growth of industries such as tourism, technology, and the creative industries. This structural change in the jobs market (coupled with other changes in occupier requirements, for example around accessibility and sustainability) requires well-designed new workspaces, with ageing factories and low density uses such as warehouses and depots giving way to new uses.
- 2.4. Edinburgh’s 2030 Climate Strategy takes an integrated approach to tackling both the climate and nature emergency by setting out a pathway to achieve a climate resilient, sustainable city. Large-scale investment is required to make this happen, including making homes and workplaces more sustainable via improved energy efficiency, decarbonised heating, and microgeneration, promoting a shift away from travel by car towards walking, cycling and public transport, and investing in green and blue infrastructure such as parks, trees, raingardens, and natural flood defences to enhance biodiversity and resilience.
- 2.5. Phase 1 of Granton Waterfront will play a key role in responding to the above dynamics: delivering net zero carbon ready homes for sale and rent, workspaces to meet contemporary social and economic needs and an extensive active travel network and greenspaces, within a community centred on sustainability.

Strategic context

Local context

- 2.6. Phase 1 of Granton Waterfront can make a significant contribution to the delivery of multiple policies for Edinburgh, including the Council’s Business Plan, City Plan 2030, the City Mobility Plan, Climate Ready Edinburgh Plan 2024 – 2030 and the Edinburgh 2030 Climate Strategy. Granton Waterfront also complements the objectives of the Forth Green Freeport by contributing to sustainable development and addressing the housing needs of the city.

National context

- 2.7. The first phase of this ambitious programme of regeneration will also contribute to the delivery of relevant national policies including NPF 4 through delivery on brownfield land and infrastructure investment and Housing to 2040 through delivery of much needed affordable homes.
- 2.8. Phase 1 also helps deliver on key commitments set out in Programme for Government, 2025-2026, with the aim of eradicating child poverty, growing the economy, tackling the climate emergency, and ensuring high quality and sustainable public services through:
- Delivery of 847 safe, warm net zero carbon ready homes, of which 387 will be for social and mid-market rent. These homes will meet the needs of low-income households through affordable rents and affordable energy bills.
 - Investment in green infrastructure including heat pumps and electric vehicle charging will attract private sector investment and create jobs in an emerging sector that will help deliver on the commitment to boost fair, green, economic growth. In addition, improved energy efficiency in homes through a fabric first approach and investment in green infrastructure initiatives to support low car ownership, such as mobility hubs and urban greening will reduce emissions alongside enhancing natural habitats and biodiversity.
 - The delivery of around 2,250 sq. m of commercial space, including retail space and flexible workspaces, will provide opportunity for jobs and enterprise within a local network of small and growing businesses and third sector organisations. Construction expenditure and the delivery of new workspaces and public sector facilities will bring employment to a historically deprived area, which in turn will support employment via indirect and induced multiplier effects.
 - Providing a serviced plot for a new primary school and nursery which will be delivered alongside the development of homes, ensuring access to education in a high-quality environment aimed at nurturing young people to reach their full potential.
- 2.9. In addition, this programme delivers on the National Place and Wellbeing Outcomes Framework. This framework is closely aligned with the Programme for Government, helping deliver how legislative and policy priorities are delivered on the ground at a local level. This can be evidenced not only in how Granton Waterfront delivers on key sustainability measures such as transport, housing and energy but also in the approach to joined up-place based delivery of green space, services, community wealth building and community benefits aimed at reducing inequality and enhancing life chances.

Conclusions

- 2.10. Phase 1 of the Granton Waterfront regeneration supports the delivery of local and national policy objectives with a key emphasis on addressing the climate and

nature emergencies while reducing child poverty and inequality through the initiatives outlined above. This will be achieved through improved access to employment and skills enhancement, affordable housing, fair energy cost and travel expenses, and improved services such as the school which will come together and create a nurturing environment for families to thrive.

3. Economic Case

Chapter summary

- **A cost benefit analysis and economic impact assessment in line with HM Treasury Green Book guidance has been carried out on Granton Waterfront Phase 1 at an Edinburgh, Edinburgh City Region and Scotland level.**
- **The economic impact assessment considers the impacts of both the construction phase and the operating phase, combined for a 60-year period.**
- **Phase 1 delivers a benefit-cost ratio (BCR) of 3.0 at an Edinburgh level, weighted to reflect deprivation in Granton Waterfront.**
- **Phase 1 investment will also generate significant wider non-monetised benefits such as reduction of carbon emissions, alleviation of fuel poverty and an increase in health and well-being. Therefore, in practice, the BCR will be comfortably above stated monetised levels.**

Introduction

- 3.1. The Economic Case sets out the rationale for Phase 1 of the Granton Waterfront regeneration programme.
- 3.2. Supporting the economic appraisal is an economic impact assessment based on HM Treasury Green Book guidance and additionality guidance. The gross and net economic impacts of the proposed project are calculated by considering the likely direct, indirect and induced impacts of the development, factoring in multipliers and displacement.

Economic rationale for intervention

- 3.3. Granton Waterfront over the past two decades has been characterised by piecemeal development and an incoherent sense of place. Redevelopment of the land has been slow principally due to constraints such as contamination, long ground leases, derelict historic buildings and structures, and complex infrastructure requirements. This market failure indicates a need for continued public sector intervention to bring forward development.
- 3.4. Since 2021, the Council, through its ‘place first’ early action programme aimed at accelerating delivery of homes, commercial, leisure, active travel and creative spaces, has enabled investment of c.£165m into the regeneration area. Phase 1 will build on this initial investment, providing a strong connection from West Granton Road to the coast, further stitching together and consolidating the various elements

of the regeneration to date, alongside connecting the existing neighbourhoods to the new homes and amenities that this phase will bring.

Economic impact assessment

- 3.5. To quantify the project data for inclusion into the cost-benefit analysis in a manner consistent with HM Treasury Green Book guidance, an Economic Impact Assessment (EIA) was undertaken for Phase 1 which built on the source data and applied Green Book compliant assumptions.
- 3.6. The EIA was carried out for two phases: the construction phase and the operating phase.
- 3.7. The construction phase impact of the total programme is the impact of the infrastructure spend plus the construction impacts of the build-out of land made available for residential, commercial and other development. This includes a breakdown of all cost elements including enabling works, build costs for affordable housing and commercial premises and transport improvement costs.
- 3.8. The operating phase impact is based on three sources:
 - The occupation of the commercial space and jobs arising from this.
 - Additional spending in the local economy from new households moving into the area.
 - Council Tax revenues generated by the new households.
- 3.9. This gross value added is calculated as the impact of services that the additional revenues will fund. The number of projected jobs created across the construction and operating phases have been calculated and presented below.

Cost-benefit analysis

- 3.10. The results of the Phase 1 cost-benefit analysis carried out at the Edinburgh, City Region, and Scotland levels are set out below. The benefit-cost ratio (BCR) was calculated by taking the Net Present Value (NPV) of the total net benefits over 60 years and dividing this by the NPV of the total costs over the same period.
- 3.11. Welfare weights can be applied to benefits when a project aims to improve a deprived area through some level of intervention. The concept is that a policy that increases the income of someone with a low income will have a greater positive impact on overall welfare than a policy that gives the same amount to a person on high income (and so ensures that policies/interventions are not skewed to those in affluent areas). HM Treasury Green Book guidance was used to do this, with a welfare weight calculated by dividing the average income of all households (at the different area levels) by that of the North Edinburgh households and then multiplying this figure by a factor of 1.3. This factor is used to take account of the marginal utility of income, i.e. that the impact of an increase to a household's income diminishes the higher that

base income is. This welfare weight has been applied to the calculation of net additional discounted GVA to provide a weighted benefits figure to reflect the improvement to deprivation this regeneration programme seeks to deliver.

Table 1: Summary of cost benefit analysis

Phase 1			
	Edinburgh	City Region	Scotland
Costs			
Public sector (discounted)	£188m	£188m	£188m
Gross benefits			
Construction (PYEs)	1,900	1,900	1,900
Operating (FTEs)	47,400	47,400	47,400
Gross GVA (discounted)	£1.1bn	£1.1bn	£1.1bn
Net benefits			
Construction (PYEs)	1,000	1,000	700
Operating (FTEs)	6,200	5,300	4,400
Net GVA (discounted)	£246m	£238m	£188m
Net GVA (discounted and socially weighed)	£561m	£541m	£428m
Value for money			
Public sector costs BCR	1.3	1.3	1.0
Welfare weighted public sector costs BCR	3.0	2.9	2.3

- 3.12. Phase 1 delivers a public sector benefit cost ratio of 1.3 at an Edinburgh level. When the BCR is weighted to reflect deprivation in Granton Waterfront, this rises to 3.0.
- 3.13. Alongside the above, investment in Granton Waterfront will bring non-monetarised benefits, which will contribute to the overall enhancement of sustainability and well-being. In addition to a programme of community benefits resulting from the construction works and community wealth building (CWB) as set out in the CWB framework for Granton, these include, improved quality of life through being in an area with access to enhanced public realm and recreation space, which will increase

play, social interaction, provide improved physical and mental health and well-being and overall community cohesion. Investment in green spaces and sustainable design will bring enhanced biodiversity and climate resilience. Together, these measures will bring a strong sense of place, pride and belonging and overall resilience for now and future generations. Further non-monetarised benefits will be derived from investment in energy efficient net zero carbon ready homes, which will deliver a reduction in carbon emissions and help alleviate fuel poverty for tenants.

- 3.14. The reduction in carbon emissions over 40 years is estimated to be over 700 tCO₂e and against gas is just under 18,000 tCO₂e.
- 3.15. Phase 1 will also act as a catalyst for future phases of the regeneration and investment by delivering key infrastructure and linkages with existing communities, the waterfront and wider city, bringing compound benefits.

Conclusion

- 3.16. According to the Ministry of Housing, Communities and Local Government (MHCLG) Appraisal Guidance, BCRs of less than 1 represent poor value for money, while those between 1 and 2 represent good value for money and those over 2 represent high value for money. In this context, Phase 1 represents good value for money on an unweighted basis and high value for money on a weighted basis. This is in addition to the non-monetarised benefits outlined in section 3.13, which will bring enhancements in terms of physical, social and economic benefits for now and generations to come.

4. Commercial Case

Chapter summary

- **The commercial case builds on the findings of the Granton Waterfront OBC, setting out a robust delivery route for Phase 1 development.**
- **A pre-development period has been utilised through the appointment of pre-development partners, ensuring that the Council benefits from improved co-ordination, enhanced cost control, risk management and efficiency.**

Delivery Route

- 4.1. The Granton Waterfront OBC, prepared in October 2021, identified a significant funding shortfall for the Granton Waterfront regeneration programme. As a result, it recommended a phased approach to delivery that maximises opportunities, optimises market interest, and manages risks. This OBC concluded that a heat network serving the new development and existing assets within the area could be viable and that further analysis was required to determine an optimal delivery structure. It also concluded that a development partner should be secured through a development agreement to deliver Phase 1 of the regeneration programme, with an option to continue the appointment for future phases of the regeneration. This approach will ensure that the Council benefit from improved co-ordination, enhanced cost control, risk management and efficiency.
- 4.2. Following further analysis and the production of a heat network business case in March 2023, it was recommended that the Council secure a concessionaire to design, build, operate and manage a heat network through a two-stage procurement which utilised a pre-development period. In [November 2023](#), Committee approval was given to award a contract to Vattenfall Heat UK Limited to deliver pre-development services for the Granton Low Carbon Heat Network. The output of these services has formed the basis of this Final Business Case (FBC).

Phase one – delivering the Heart of Granton

- 4.3. With a primary focus on place making, **Phase 1** of the Granton Waterfront programme will deliver:
 - 847 net zero carbon ready homes in a mix of housing types and tenure of which 45% will be of affordable tenure (214 Council homes for social rent and 173 Registered Social Landlord (RSL) homes for mid-market rent),

- Serviced plot for a new school and other community uses, including around 2,250 sq. m of commercial space,
- Placemaking including high quality landscaping and public realm, and
- Sustainable transport infrastructure including a mobility hub.

Delivery model

Phase 1 development

- 4.4. Following a competitive procurement process, the Council appointed a development partner, Cruden Homes Ltd, in July 2022 for the pre-development period for Phase 1 of the Granton Waterfront Programme.
- 4.5. The following activities have been completed during the pre-development period.
- Detailed designs to Royal Institute of British Architects (RIBA) Stage 4 for each element of Development,
 - Method and sequencing of construction,
 - Planning permission secured and other statutory consents submitted for approval,
 - A fixed price for site wide infrastructure and enabling, and delivery of council homes,
 - Funding secured to close the viability gap, this includes a capital receipt for enabled plots which will bring homes for private sale and RSL Mid-Market Rent (MMR),
 - Development Agreement and Design and Build contract, and
 - this Final Business Case.
- 4.6. Subject to approval of this Final Business Case and the Development Agreement being entered into, the following model of delivery will be utilised during the phase 1 development period, which is anticipated to commence at the start of 2026 and run until 2033.
- The Development Agreement will secure a fixed price for the Council Works which includes site wide enabling and infrastructure and delivery of Council social rent tenure homes. The fixed price is subject to an agreed mechanism for indexation given the length of the construction period and the usual mechanisms for adjustment of the price during the construction period e.g. through change control and certain other permitted claims from the development partner.
 - The Development Agreement will secure the development partner's role as master developer managing the sequencing of construction and the interface

between different work packages, including the delivery of a primary substation required to meet the electrical demand of the new development.

- The Council will retain ownership of land with the development partner undertaking site remediation and plot enabling works under license. This package will include all key placemaking infrastructure for sustainable transport and public realm.
- As plots are remediated and associated off plot infrastructure delivered, this will provide access to serviced plots upon which homes of different tenure will be delivered.
- The development partner will build out homes for Council social rent tenure under license and on completion, the Council will own, manage and maintain these homes.
- The development partner will pay the Council a capital receipt for enabled housing plots for private sale and RSL development.
- The development partner will construct the homes for private sale on Council-owned land under a licence to occupy. On sale of each home, title will transfer directly from the Council to the homeowner.
- Land and title will be transferred to the RSL at “golden brick” stage (on completion of the foundations and ground floor slab). The RSL will engage the development partner to construct the mid-market homes. The RSL will then own, manage and maintain the homes.
- In addition to the homes, the development partner will provide a serviced plot for the new school. The construction of the school will be taken forward by the Council’s school delivery team and appointed contractor.
- The development partner’s role will also include providing a serviced plot for the primary sub-station.

4.7. The Council will enter into the Development Agreement with Cruden Homes Ltd covering the arrangements summarised at section 4.6 above. The main issues covered in this agreement being the basis on which (a) the Council Works will be carried out (i.e. on a design and build basis for a fixed price (subject to indexation and the usual mechanisms for adjustment) and on the Council’s standard terms for such contracts). This contract will be based upon a SBCC Design & Build Contract for use in Scotland (DB/Scot) 2016 Edition, alongside an agreed Schedule of Contract Amendments, this form of contract has been used to successfully deliver recent Council housing developments; and (b) the other plots will be developed for private sale or mid-market rent with requirements to develop the plots by longstop dates; overage provisions and limits on the variations that the development partner can make to their approved schemes.

4.8. The Council has sought suitable protections within the Development Agreement to mitigate the impact of the development partner becoming insolvent or performing poorly during the delivery period and are set out below.

- 4.9. The Council's primary security for the development partner's performance is the retention of ownership of the land until private units are sold. In addition, the development partner will provide a parent company guarantee from its parent, Cruden Investments Limited.
- 4.10. The Council are investigating the possibility of securing performance bonds from a suitable financial institution to cover the Council Works on standard industry terms providing cover of up to 10% of the contract price for these works should the development partner fail (either through insolvency or breach).
- 4.11. The Council will also have the benefit of a retention arrangement for the Council Works (i.e. withholding 3% of the valuations until practical completion of the relevant units and then withholding 1.5% for the defects rectification period of 12 months from practical completion of the relevant units).
- 4.12. The Council will also be entitled to receive collateral warranties from key sub-contractors and consultants engaged by the development partner, and these will include rights allowing the Council to step-in to the relevant sub-contracts/appointments should the development partner fail.

Low Carbon Heat Solution

- 4.13. Following a procurement process, in November 2023, the Council appointed a proposed heat network concessionaire (Vattenfall Heat UK Ltd) to take forward the development of a low carbon heat network with proposed connections to include existing facilities in the area and the new development.
- 4.14. In September 2025, following more than 18 months of pre-development activity, VHUK confirmed their intention to terminate the pre-development contract between the parties citing numerous risks which they considered remained unresolved including a lack of confidence in customer connections, a lack of certainty on capital and operating costs and gaps in assurance on the technical deliverability of the proposed heat source solution.
- 4.15. As such, VHUK will not proceed with the concession agreement to deliver the proposed heat network. The pre-development stage of the contract was fully funded by VHUK, and a termination agreement is now in place.
- 4.16. The Council project team have considered alternative options for taking forward a heat network including procuring another proposed concessionaire, the Council delivering and operating the heat network itself by procuring a design and build contractor, and Cruden Homes Ltd designing and delivering a communal energy centre to serve the Council's 214 social rent homes only. Each of these alternative options have been discounted as they would require significant time to complete design, secure planning permission and conclude a procurement process.

- 4.17. To ensure momentum is not lost and that site wide infrastructure and enabling and delivery of homes can get underway with minimal delay and impact to cost, it is not possible for an alternative option for delivery of a heat network to be taken forward. Instead, a localised low carbon solution is considered the best option to ensure that net zero ready homes are delivered as quickly as possible and to make sure that momentum and confidence in the wider development is not stalled.
- 4.18. Working with Cruden Homes Ltd to consider a local solution that has minimal impact to current design and planning permission, heat and hot water will now be delivered to homes via an exhaust air source heat pump located in each individual home. The design of the Council's social rent homes includes cupboard space that can accommodate this heat pump unit so this late design change can be accommodated with minimal impact. Private homes for sale and mid-market rent units require more reconfiguration but again, this can broadly be accommodated within current design parameters. This low carbon solution is being delivered or proposed to be delivered at other Council housing developments across the city including Silverlea, Fountainbridge and Meadowbank.
- 4.19. This all electric low-carbon solution works by recovering warm exhaust air from bathrooms and kitchens - air that would otherwise be extracted and lost to the outside - and uses a highly efficient refrigeration cycle to raise its temperature. The recovered heat is then used to generate hot water for space heating (e.g. central heating radiator systems) and for domestic hot water at taps and showers. The advantages of this system over the heat network are the residents' ability to shop around for the best deal in terms of energy cost rather than being tied to one supplier, and tariffs being subject to the energy price cap. This will ensure residents can maximise energy tariff savings as far as possible whilst having price cap protections in place. For the new homes being developed as part of phase 1 this solution fulfils the same objectives of the heat network.
- 4.20. This low carbon heat solution will be delivered as part of the works delivered by Cruden Homes Ltd as outlined within the development agreement ensuring that delivery of heat and hot water is available for completion of homes.
- 4.21. As there is no longer a requirement to deliver a centralised energy centre within the development area, the Council and its development partner Cruden Homes Ltd, are undertaking a feasibility study to determine the number of additional homes that could be built out on this site. The next steps on delivery of these additional homes are outlined within section 7.

Conclusion

- 4.22. The utilisation of a pre-development period for Granton Waterfront Phase 1 has created a robust technical, legal, financial and operational foundation, ensuring a robust delivery route for the homes. Addressing potential risks upfront and aligning

all parties on scope, cost and responsibilities will help ensure a smooth, successful delivery and value for money.

5. Financial Case

Chapter summary

- **The financial model produced for the Granton Waterfront OBC has been revised and updated to incorporate a market tested final price cost plan focussing on Phase 1 delivery. This cost plan has been independently verified by a cost consultant appointed by the Council as representing value for money.**
- **The total cost of this development to the Council is £142.8m, which represents costs for site-wide enabling and infrastructure and the delivery of 214 homes for social rent.**
- **A funding strategy has been developed in order to take this project forward, which includes support from the Scottish Government and financing from the National Wealth Fund.**
- **An analysis of financial risks has been carried out with appropriate sensitivity testing.**
- **The Financial Case concludes that this development is affordable to the Council.**

Introduction

- 5.1. The Financial Case seeks to assess the affordability of Phase 1 of the Granton Waterfront regeneration programme. The financial case is supported by a financial model that include costs, income and the funding strategy of this project.
- 5.2. The financial model has been revised and updated to incorporate a RIBA Stage 4 market tested final price cost plan. The cost plan has been independently verified by a cost consultant appointed by the Council as representing value for money.
- 5.3. Previously identified funding sources have also been reviewed and have been updated where appropriate. This includes developers' contributions, grant funding and the level of investment that could be supported by the Housing Revenue Account (HRA).

- 5.4. A funding strategy has been developed with investment from the Council and Scottish Government. This is a mixture of capital funding from Housing Infrastructure Fund, revenue outcomes-based funding and council tax funding.

Project Costs

Cost Plan

- 5.5. Project costs have been derived from a detailed RIBA Stage 4 cost plan produced by Cruden Homes Ltd in October 2025, which has been market tested and independently verified by a cost consultant appointed by the Council. This offers a final price for Phase 1 of £115.0m (in contract start date prices).
- 5.6. The cost plan accounts for the building of Council-owned properties; 214 homes (on three individual plots and one shared plot) plus five commercial units.
- 5.7. The cost plan also includes costs for site wide works which cover the whole development area. This comprises decontamination and remediation of all plots, including those which will house the new primary school and primary sub-station, and costs for new infrastructure including the roads, footpaths, cycleways, utilities upgrades, and drainage. In addition, a small amount of heritage works will be undertaken, alongside extensive public realm and construction of a mobility hub.
- 5.8. The cost plan does not include a number of costs directly incurred by the Council, such as section 75 developer contributions, professional fees and land acquisition. These are considered separately within this financial case along with allowances for inflation, risk and optimism bias.

Land Acquisitions

- 5.9. The Council has obtained, through Compulsory Purchase Order, a number of properties within the development area which were previously owned by others. The compensation associated with these purchases is still to be agreed and an estimate has been included in the financial model based on an assessment of cost from a District Valuer report, at a total cost of £1.6m.

Professional Fees

- 5.10. Costs have also been adjusted to allow for professional fees as follows:
- Professional fees associated with a quantity surveyor and employer's agent are factored into the appraisal using a 0.5% uplift.
 - Professional fees associated with the land acquisition are factored into the appraisal using a 5% uplift in line with other Council projects.
 - Clerk of works costs for the development of Phase 1 are currently estimated at £185,000.

- An estimated amount of £417,000 has been included to cover the cost of a performance bond.

Section 75, Inflation, Contingency and Optimism Bias

- 5.11. A total allowance of £25.1m has been included in the financial model to cover section 75 contributions, inflation, contingency and optimism bias.
- 5.12. Section 75 costs cover contributions for the social housing towards education, transport and healthcare.
- 5.13. Inflation is included in the cost plan up until contract start date, beyond this it is calculated within the model by annually uplifting pricing based on current BCIS forecasts.
- 5.14. Contingency has been included based on an assessment of the outstanding risks. In addition, an allowance for optimism bias has been made and calculated in accordance with HM Treasury Green Book guidance.

Results

- 5.15. The modelling results of the updated costs are summarised in the table below:

Table 2: Modelled costs

Cost Category	Total Cost
Remediation and Infrastructure	£50.7m
Placemaking	£7.8m
Social Housing	£84.3m
Total	£142.8m

Exclusions

- 5.16. While the remediation of the site of the new primary school is included in the enabling works, construction of the school itself will be taken forward by the Council as a separate business case and project.

Funding and Financing

- 5.17. A suite of funding measures has been identified to meet the cost of the development. Capital funding from existing Council budgets, Scottish Government grants, capital receipts and Section 75 developer contributions are combined with revenue funding from Council Tax, Scottish Government and commercial unit rental income.
- 5.18. Scottish Government grant funding makes up 37% of the capital funding strategy and 60% of the revenue funding.

Capital Funding

- 5.19. The Council intends to fund its new affordable homes through borrowing against future rental income streams combined with Scottish Government Affordable Housing Supply Programme (AHSP) funding. The value included in the model is consistent with Council approved business plans and reflects the proposed house types and tenures set out in the cost plan. This assumes that £22.3m of ASHP grant will be combined with £62.0m of HRA borrowing.
- 5.20. The Scottish Government Housing Infrastructure fund (HIF) is designed to enable funding for housing developments which face large costs due to the nature of the infrastructure works. The Council has made a successful application to the HIF for £15.9m to cover some of the remediation and road building costs in the development.
- 5.21. During the tender process it was specified a Capital Receipt would be required from the development partner to pay for the land the private homes are built on. An independent assessment has been carried out on this capital receipt value and concluded the land value being offered is a fair and reasonable reflection of the market at the current time. Section 75 developer's contributions are based on assumptions set out in the Council's Local Development Plan Action Programme. Contributions are those relating to transport infrastructure and a proportion of education ones relating specifically to funding remediation and enabling of the school site. The total of capital receipt income and this element of developer contribution is £4.2m.

Table 5: Funding

Capital Funding Stream	Amount
Government Grant – 37%	
Affordable Housing Supply Programme	£22.3m
Housing Infrastructure Fund	£15.9m
Private Sector – 4%	
Capital Receipt and Section 75 Contributions from Developer ¹	£4.2m
Council – 59%	
HRA Business Plan	£62.0m
Total Funding	£104.4m

Table 6: Capital Funding Position

	Amount
Total Build Costs	£142.8m
Total Funding	£104.4m
Additional Financing Required	£38.4m

Financing

- 5.22. The net position between total cost and identified capital funding is a deficit of £38.4m. A loan agreement with the National Wealth Fund to borrow this amount is in the final stages of negotiation, with repayments to be made over a 20-year period. Should an agreement be concluded, the interest rate will be fixed at time of drawdown and will be at a lower rate than the Public Works Loans Board (PWLB).
- 5.23. However, the loans fund accounting requirements mean that repayment is accounted for on a 30-year Equal Instalments of Principal (EIP) basis. This equates to a principal repayment of £38.4m and interest costs of £31.4m (total debt servicing of £69.8m) based on a loans fund interest rate of 5.25%. The average annual

¹ Includes contributions for active travel and decontamination of the school site. Additional education contributions are included in the budget for Granton Waterfront Primary School.

repayments are estimated at £2.3m, although it is recognised that payments are higher in early years, with a maximum annual amount of £3m. Repayments will be met with the revenue funding described below.

Revenue Funding

- 5.24. The revenue funding comes from three sources: Granton Place Accelerator, Council Tax contributions and commercial unit income.

Granton Place Accelerator

- 5.25. The Council, the Scottish Government and Scottish Futures Trust (SFT) have developed an innovative new funding stream for the regeneration, the “Granton Place Accelerator”. This Place Based Accelerator Fund will grant the Council £2.1m per year for 20 years from 2028/29 contingent upon successful achievement of place-based targets as set out in the grant agreement. Targets (metrics) have been agreed in line with five main themes; movement, space, resource, civic and stewardship and are detailed in the management case.
- 5.26. Baselines for these metrics have been set during 2025/26, and monitoring will commence in 2026/27. These will be reported on at three intervals: February 2029, February 2032 and February 2035. Successfully achieving targets in the first two reports will trigger payment for the proceeding three years. The final report will establish annual payments until 2048.

- 5.27.

Metrics	Annual Payment	Total
Movement	£0.42m	£8.4m
Space	£0.42m	£8.4m
Resource	£0.42m	£8.4m
Civic	£0.42m	£8.4m
Stewardship	£0.42m	£8.4m
Total	£2.1m	£42.0m

- 5.28. If at a reporting interval, not all metrics have been achieved, payment will be received for those which have been met.
- 5.29. If a metric has been partially met, there will be a pro-rata payment based on performance against the metric.

- 5.30. Those metrics not fully achieved in line with expected deadlines, will continue to be monitored and reported on. If they reach the expected level over the two years following the reporting interval, full payment will be received for that period, along with any payments withheld in previous periods.

Other Revenue Funding

- 5.31. The increase in homes will bring an increase in council tax contribution to the Council. It is proposed that a proportion of this increase is used towards funding the repayments, with the rest used to fund services. This increase totals £1.4m annually on completion of the Phase 1 development and it is proposed to use £0.83m annually of this to fund repayments.
- 5.32. Rental income from the new commercial units has been estimated at £142 per square metre, based on advice from the Council’s Estates service. This will provide a total income of £0.1m per year.

Table 6: Revenue funding

Revenue Funding Stream	Average Annual Amount	Total Amount
Government Grant – 60%		
SG Place Based Accelerator Funding (20 years)	£2.1m	£42.0m
Private Sector – 4%		
Commercial rents (30 years)	£0.1m	£3.0m
Council – 36%		
Council Tax contribution (30 years)	£0.83m	£24.8m
Total Revenue Funding	£3.03m	£69.8m

Risks

- 5.33. There is a risk that key assumptions regarding costs prove to be inaccurate and that the level of contingency provided for in the financial model is inadequate to cover this. Some assumptions which could significantly change the financial impact of the project include:
- Future legislative change which has not been anticipated;
 - Delay to the building programme resulting in inflationary increases; and

- Inflation is higher than current forecasts suggest.

5.34. Sensitivity analysis has been undertaken on the effect inflation and an increase in capital cost would have on the total cost of the project. The results are shown below:

Table 7: Sensitivity Analysis

	Increase	Total cost	Difference
Inflation	+2% per year	£151.8m	£9.0m
Capital Costs	+5% on all costs	£149.1m	£6.3m

5.35. There is also a risk that key income targets are not met, and this could affect the ability of the Council to meet its debt servicing requirement. The highest risk factors include:

- The Council does not achieve the outcomes of the Place Based Accelerator Fund, therefore a lower amount is received from the Scottish Government;
- Development is slower than anticipated, delaying the council tax receipts;

5.36. The Granton Programme Team will monitor, manage and mitigate these risks in line with risk register, as discussed in the management chapter.

Opportunity Cost

5.37. If the development does not go ahead the Scottish Government Affordable Housing Grant and Capital budget from HRA could be applied to an alternative project. However, given the level of design and procurement work done to date, it is unlikely that the homes could be delivered at a later point with the same timescales and cost envelopes as outlined in this business case.

5.38. This will also curtail the regeneration of Granton Waterfront area and the additional benefits this project will provide.

5.39. The Council would lose out on £42m of Place Based Accelerator Fund monies and £15.9m of Housing Infrastructure Funding from the Scottish Government. It would be difficult to negotiate funding for future projects without a track record of delivery.

Conclusions

5.40. Overall, the cost to deliver phase 1 is deemed affordable to the Council. The full cost of Phase 1 of the Granton Waterfront Programme is £142.8m. This includes allowances for risk in terms of contingency and optimism bias, inflation and professional fees.

5.41. To fund these costs a suite of funding and financing has been proposed:

- Capital funding for the housing and commercial premises from the HRA.
- Section 75 contributions for active travel and the school land remediation.
- Capital receipt from the developer.
- Capital grant from Housing Infrastructure Fund and Affordable Housing grant.
- Loan from National Wealth Fund with repayment being made from:
 - Place Based Accelerator Grant from Scottish Government;
 - Council Tax contributions; and
 - Income from commercial rents

5.42. Risk has been modelled through sensitivity analysis and some mitigations are in place to control this.

6. Management Case

Chapter summary

- The Management Case sets out key project milestones for the delivery stage of Phase 1 Granton Waterfront regeneration.
- A risk management strategy has been developed to promote clear ownership across the programme.
- Strong programme governance and programme management arrangements are in place which includes the wider stakeholder management.

Introduction

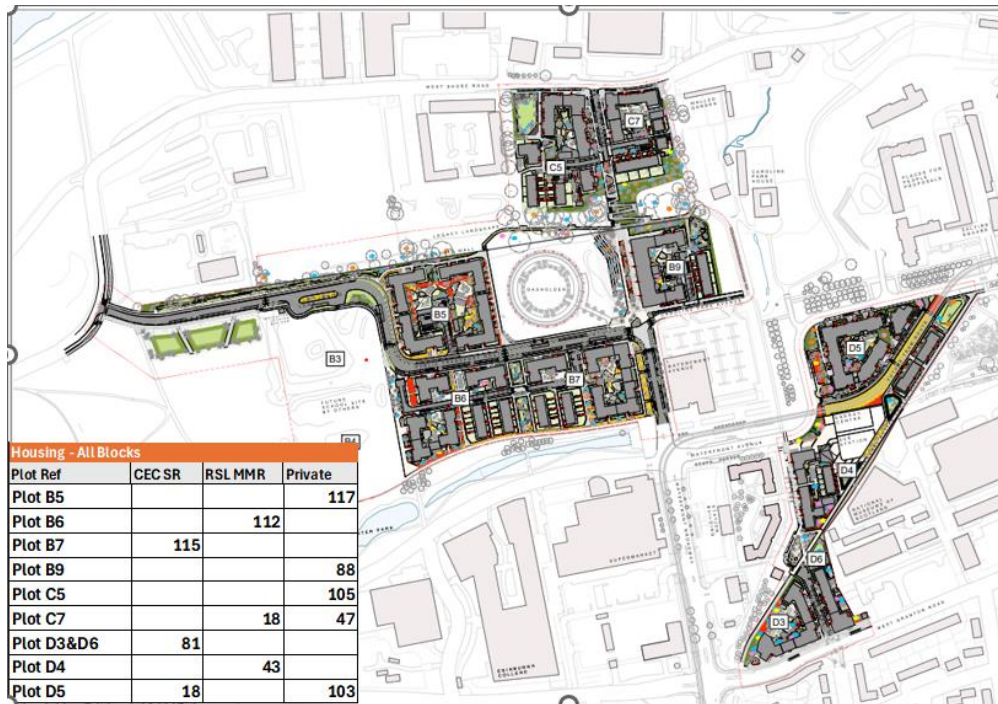
6.1. The purpose of the Management Case is to set out clearly how delivery of Phase 1 of the Granton Waterfront regeneration (as set out in section 4.6 of the commercial case) can be effectively managed. The following items will be covered:

- Programme
- Risk management
- Project management
- Stakeholder management

Programme

6.2. The programme is the principal management tool used to plan, manage and monitor the key activities, milestones and interdependencies within the projects.

6.3. The plan below illustrates the plots within the Phase 1 boundary with the associated number of homes and tenure on each plot.



6.4. Table 8 below, sets out a programme of key delivery milestones for delivery of the homes and infrastructure within the Phase 1 boundary. Following completion of the FBC and securing approval to proceed to delivery stage, it is anticipated that the Development Agreement will be entered in to between the parties in December 2025.

Table 8: Phase 1 high level programme

Activity	Date
Site Start and Set up	Jan 2026 – March 2026
Infrastructure Works	March 2026 – August 2031
CEC SR – 214 homes	July 2026 – March 2032
RSL MMR – 173 homes	Oct 2028 – Jan 2033
Private for Sale - 460	Dec 2026 – Jan 2033

Project Management

Management of Master Developer

- 6.5. The Development Agreement for the works stage will be between the Council and Cruden Homes Ltd, who will be appointed as the Master Developer for delivery of the site wide infrastructure and 214 Council homes within Phase 1. This contract will be based upon a SBCC Design & Build (D&B) Contract for use in Scotland (DB/Scot) 2016 Edition, alongside an agreed Schedule of Contract Amendments.
- 6.6. The Development Agreement will require Cruden Homes Ltd to deliver the works at an agreed Contract Sum under the D&B contract.
- 6.7. The Council will appoint an Employer's Agent to administer the construction contract in line with the agreed contract conditions. Cruden Homes Ltd will be responsible for the management of the overall works, however the Employer's Agent will monitor the position to ensure compliance is fully achieved in respect of all obligations stipulated within the Employer's Requirements on matters such as:
- General site and surrounding land / property constraints
 - Utility services provision issues
 - Potential ground / remediation issues
 - Site access / egress and site security related issues
 - Health & Safety related issues and potential hazards, including method statements in relation to site construction issues
 - Waste management
 - Statutory approval issues and conclusion of same
 - Programme insurance related issues
 - Design release and agreement procedures
 - Site supervision requirements and associated site establishment provision
 - Construction programming obligations, sequencing and potential adjustment of same
 - Recording construction progress and reporting (including meetings)
 - Construction quality management and inspection procedures including sign off of compliance
 - General sub-contractor interface requirements

- Temporary work design proposals
 - Project handover procedures including Health & Safety file
- 6.8. The monitoring of site progress will be through fully documented Progress Meetings with the Contractor, held minimum on a monthly basis. Contractor’s formal reports issued at these meetings will include a clear visual demonstration of the actual construction position against the current accepted construction programme. Progress Meetings will also allow the Contractor to identify any ‘live’ issues and solutions on the best way forward in respect of dealing with these.
- 6.9. The Design & Build contract allows for CEC to instruct changes to the Employer’s Requirements. This would be undertaken through the issue of a Contract Instruction issued by the Employer’s Agent under their contract administrator role.

Interdependencies

- 6.10. The Development Agreement will secure the development partners role as master developer managing the sequencing of construction and the interface between different work packages, including the delivery of a serviced plot for the primary sub-station.
- 6.11. In addition, the development partner will enable the school site for construction of the new primary school by the Council and its appointed contractor for this project. Early engagement and collaborative working between the Council’s project managers and appointed consultant/ contractors will ensure co-ordinated design and future construction works. A clear governance and reporting route has been established to ensure robust management, monitoring and reporting.

Community Wealth Building, Community Benefits and Revenue Based outcomes

- 6.12. A key objective of the Granton Waterfront regeneration is to reduce inequalities within the wider area to which this programme is based. A programme of community benefits resulting from the investment in the regeneration has been aligned with a community wealth building framework and further strengthened by the revenue-based outcomes agreement with SG to ensure that the overall health and wellbeing of the communities to which we serve remains at the heart of all that we do.
- 6.13. The Programme and Project Managers on the Granton Waterfront have extensive experience of management and monitoring of benefits and will do this alongside rigorous reporting on outcomes to SG on a regular basis.

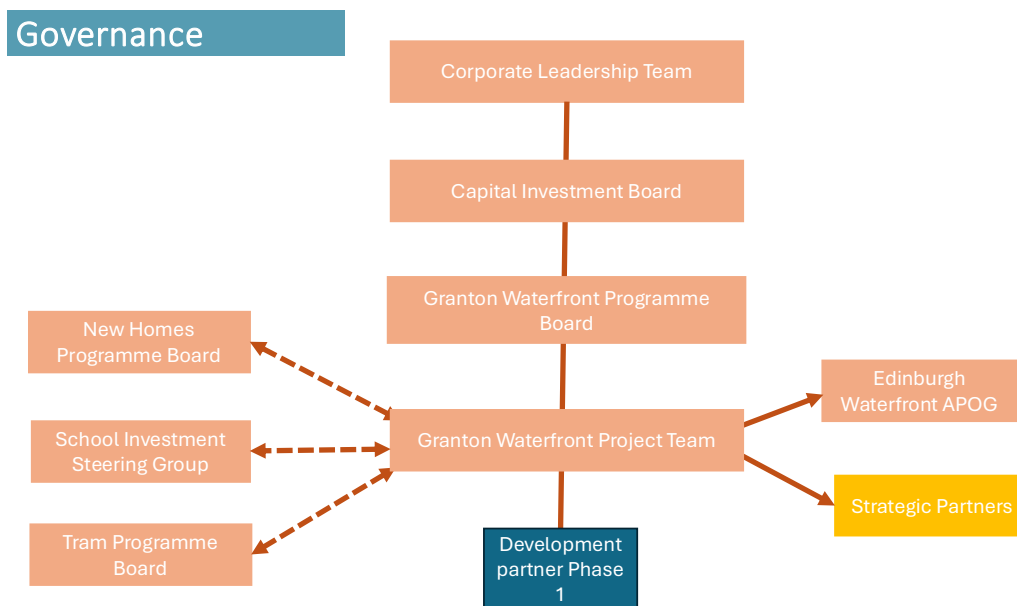
Risk management

- 6.14. Granton Waterfront Phase 1 has a live risk register that is updated monthly. This will continue throughout the construction period.
- 6.15. As overall accountability of the project sits with the Granton Waterfront Programme Board, risks will be reported vertically to the Programme Board on a regular basis with clear categorisation of where risks sit within the context of the project and the wider statutory/corporate environment.

Programme management framework

Programme structure and roles

Phase 1 Governance Structure during construction



- 6.16. The Granton Waterfront Project Team is a dedicated team with extensive experience in project and programme management. There is a dedicated Senior Responsible Officer to ensure strong leadership, risk management and strategic alignment, with overall accountability for programme delivery alongside outcomes. The team have a successful track record of delivery of homes, sustainable transport infrastructure and heritage projects within Granton and the wider city with strong connections within the community and with other key stakeholders.
- 6.17. The Granton Waterfront Project Team works collaboratively with colleagues from across various sections of Sustainable Development including Development and

Regeneration who report to the New Homes Board and Sustainable Construction Delivery who report to the School Investment Steering Group. In addition, colleagues from Transport, Strategy and Partnership who report to the Tram Programme Board. The Granton Waterfront team receive ongoing support from the Council’s Finance, Procurement, Legal, Communications and Estates services.

- 6.18. On completion of the works, a factor will manage and maintain areas of the development which are not earmarked for Council adoption. This includes common areas associated with the new homes and surrounding areas.

Stakeholder management

- 6.19. Stakeholder management is a critical part of ensuring that the projects have the necessary buy in. The table below outlines key stakeholders during the delivery stage and how these will be managed by the Council.

Table 11: Stakeholder Management

Stakeholder	Role	Tasks
Council elected members	Approve final business case, entering into delivery phase and achieving strategic objectives.	Regular update meetings, presentations, briefings and reports
Council Planning service	Phase 1 development Primary substation	Ensure all planning conditions are met and statutory dates achieved.
Council Roads service	Adopted Highways – all necessary approvals	Meetings as required and timeously submit for approvals
Council Development and Regeneration service (Customer)	Delivery of 214 Council Social Rent homes.	Work in partnership with colleagues to ensure strategic and policy outcomes achieved
Council Strategic Asset Planning (customer)	Enabled school site	Regular update and co-ordination meeting throughout the

Stakeholder	Role	Tasks
		development period. Attendance at the school investment steering group
Transport, Strategy and Partnership	Delivery of the Tram	Regular updates to ensure safe guarded route protected and available for delivery of future tram. Attendance at Tram Programme Board
Independent District Network Operator (IDNO)	Delivery of the primary sub station	Regular meetings to ensure expectations and programme are met
Scottish Government	Phase 1 Funding packages	Manage and monitor SG grant funding
Community	Consultation and engagement	Website, newsletter, meetings. Co-ordinate with comms for the wider Phase 1 development proposals.

Communication

6.20. Key Milestones and updates will continue to be provided to key stakeholders including the wider community through:

- Consultation and engagement events
- Attendance at Community Council meetings
- Granton Waterfront newsletter
- Social media; and
- Granton Waterfront website

Conclusion

- 6.21. Through the development period for Granton Waterfront Phase 1, a robust framework has been put in place to reduce risk, ensure co-ordinated and successful delivery in line with agreed programme and to meet stakeholder needs.
- 6.22. Strong programme governance and required resources to support delivery is in place for all stages.
- 6.23. A stakeholder management plan has been developed so that there is continuous dialogue with all stakeholders to ensure that the project meets expectations and needs.

7. Way Forward

Chapter summary

- **Through a commitment from both the Council and Scottish Government to the funding strategy outlined within this Final Business Case, and subject to approval to proceed, Granton Waterfront Phase 1 can move to the delivery phase and be complete by 2033.**
- **In parallel to delivering Phase 1, the Council and its Development Partner Cruden Homes Ltd will design and secure planning for up to an additional 20 Council homes on the gap site where the heat network energy centre was to reside.**

Introduction

- 7.1. A pre-development period for Phase 1 has now concluded with the development agreement for Phase 1 anticipated to be entered into at the end of December 2025. Paramount to this, has been securing grant funding from the Scottish Government. This allowed the Council to develop this Final Business Case and seek required approvals to move to delivery stage.
- 7.2. In parallel with delivering Phase 1, the Council's Granton Waterfront project team will work with Cruden Homes Ltd to develop designs for additional homes for social rent on the gap site where the heat network energy centre was to reside. An initial high level capacity study suggests up to an additional 20 net zero carbon ready homes could be delivered on this site. Subject to securing planning permission, the instruction of these homes will be through a contract variation, and they will be delivered within the Phase 1 timescales.

Recommendations

- 7.3. It is recommended that the Final Business Case is presented to committee with the following next steps:
- The Council and Cruden Homes Ltd enter into a development agreement to deliver Granton Waterfront Phase 1;
 - Cruden Homes Ltd commence Phase 1 enabling works in January 2026; and
 - The Council and Cruden Homes Ltd take forward the design development of up to 20 additional Council homes on the gap site where the heat network energy centre was to reside and instruct their delivery through a contract variation.

