

---

## **NORTH AYRSHIRE COUNCIL**

**28 February 2018**

### **North Ayrshire Council**

---

<b>Title:</b>	<b>Capital Investment Programme 2018/19 to 2027/28</b>
<b>Purpose:</b>	To advise Council on the draft Capital Investment Programme to 2027/28
<b>Recommendation:</b>	That Council (a) approves the draft Capital Investment Programme to 2027/28 (b) notes that the programme will be reviewed on an on-going basis with the next major review within 3 years and (c) approves the Capital Investment Strategy.

---

### **1. Executive Summary**

- 1.1 This report outlines the recommendations of the full review of the capital investment programme which was undertaken during 2017/18.
- 1.2 A key element of the review was an assessment of all funding sources over the 10 years of the plan. Given high levels of uncertainty no assumptions has been made about external funding, however all appropriate funding sources will be explored. The review identified additional funding of £58.686m.
- 1.3 The review considered the current capital programme and prioritised projects in line with the Council Plan objectives. The criteria used to rank the projects were those set out in the Council's Corporate Asset Strategy approved by Cabinet on 25 October 2016. These are set out in paragraph 2.7.2.
- 1.4 The proposed capital programme attached in Appendix 3 will deliver a total programme of £245.670m, including £58.686m of new investment over the next 10 years.
- 1.5 Compliance with Regulation and the Prudential Code requires assurance to be provided on affordability and sustainability of the capital investment programme, this is provided in the Treasury Management and Investment Strategy (TMIS) which follows this report on the Council agenda. The TMIS recognises that this will require to be kept under review to ensure the underlying assumptions continue to apply.
- 1.6 In addition to the above there is a requirement for the first time for the Council to publish a Capital Investment Strategy. Minor modification has been made to the Council's previous Capital Asset Strategy to ensure compliance with requirements. This is attached at Appendix 4.

- 1.7 The revenue consequences of the Capital Investment Programme are highlighted in Appendix 2.
- 1.8 The capital programme will continue to be reviewed on an on-going basis by Cabinet with any additional funding brought forward for approval as appropriate. Major reviews will be undertaken on a 3-year basis.

## **2. Background**

### **2.1 Capital Investment Programme 2018/19 to 2027/28**

At its meeting on 1 March 2017 Council approved the current Capital Investment Programme for the period to 2017/18 to 2025/26. A comprehensive review of the Programme was undertaken during 2017/18. This report contains the outcome of that review.

### **2.2 Capital Grant Funding**

- 2.2.1 The Finance Settlement 5/2017 confirmed the level of general capital grant as £12.650m for 2018/19, a reduction of £0.458m from that previously anticipated. Grant in respect of future years has not been provided, as such this allocation has been applied across the full programme, adjusted in 2019/20 only to take account of the deferred grant from 2016/17. The impact of this is a total reduction of £3.664m over that anticipated previously in the period to 2025/26.
- 2.2.2 The 2018/19 core grant has been reduced to zero reflecting advance payment in 2017/18 of funding for the Council's flood prevention projects, with £6.325m being re-profiled into both 2019/20 and 2020/21.
- 2.2.3 The assumption is that the current core annual grant will be available in the final two years of the programme providing £25.300m to support the extension of the Programme to 2027/28.
- 2.2.4 Over the 10 year plan, the total general capital grant is expected to increase by an additional £21.636m.
- 2.2.5 In addition to the core grant the Council will receive three specific grants:
- £1.709m to tackle Vacant and Derelict Land with work underway to develop projects which will require Cabinet and Scottish Government approval;
  - £0.185m, a reduction of £0.03m, to fund cycling, walking and safer streets (CWSS)
  - a share of the £150m of capital grant which has been set aside for the expansion of Early Learning and Childcare. The proposed distribution methodology for this will be considered at a future Leaders' meeting.

## 2.3 Capital Receipts

The review of capital receipts projects an estimated net increase of £8.003m over the 10 year period. The two components of this are:

- an anticipated £10.725m of additional capital receipts in respect of the proposed development at Montgomerie Park;
- a reduction on the previous estimate for general capital receipts of £2.722m.

## 2.4 External Funding

The current draft capital investment programme does not include any external funding given the high level of uncertainty around securing this. Any funding secured, including Schools for the Future, could reduce prudential borrowing, creating flexibility within the revenue budget, or support earlier delivery of the proposed programme in respect of school investment.

## 2.5 Prudential Borrowing

The difference between the Council's capital investment programme and funding from the above sources is met through prudential borrowing. The proposed revision to the capital investment programme will be delivered within the current loan charges revenue budget and the Prudential Investment Fund. The Prudential Investment Fund, previously the Loans Fund Reserve, allows the Council to smooth the revenue implications of funding its long term capital investment programme. Review of the Fund has identified the opportunity to deliver an additional £27.337m in the Capital Investment Programme.

## 2.6 A summary of the changes to available funding is noted below;

- General capital grant support reflecting the value and profile as outlined in Finance Circular 5/2017, £21.636m;
- Specific funding of £1.709m to address issues with vacant and derelict land;
- A further £8.003m of capital receipts;
- £27.337m supported by the Prudential Investment Fund.

## 2.7 Development of the Capital Investment Programme to 2027/28

### 2.7.1 The approach to develop the proposed Capital Investment Programme to 2027/28 included:

- A full review of the current programme to 2025/26;
- Identification of opportunities to reprioritise uncommitted projects;
- Review of the phasing of projects from a delivery and affordability perspective;
- Options appraisal of new requirements;
- Consideration of lifecycle investment to protect core assets.

### Uncommitted Projects

2.7.2 The current capital investment programme to 2025/26, as reported to cabinet on 23 January 2018, is attached at appendix 1. A full review of the programme has been undertaken as noted above. The review has been undertaken in line with the criteria set out in the Council's Corporate Asset Strategy approved at Cabinet on 25 October 2016. The criteria are as follows;

- Invest to Save
- Statutory Duty
- Business Continuity
- Cost avoidance
- Alignment to Council Plan outcomes

2.7.3 This has resulted in proposed reductions to the current capital investment programme of £10.831m as follows:

Defer investment as noted below;

- B714, as reported to Cabinet on 14 November 2017;
- Pennyburn Roundabout to be reconsidered when infrastructure investment is required to support planned housing development;
- Town Centre investment recognising the opportunity to fund this through pro-actively securing external funding.

2.7.4 Diversion of funds previously identified for the development of Early Years to support the more significant proposed investment in the wider Education estate.

2.7.5 A shift in the classification of expenditure from capital to revenue in respect of software licensing freeing up capital investment, but creating a revenue pressure as the market offering shifts to Software as a Service.

2.7.6 A number of projects have been identified as having a lower priority when compared to the priorities emerging from the review;

- Castles and Historic Monuments;
- Improvement grants with a proposed reduction in the annual value from £0.700m to £0.500m

### Re-phasing of Projects

2.7.7 As part of the review an assessment was undertaken of the anticipated delivery of projects and the overall profile of the programme to ensure affordability within available resources. The main changes are noted below:

- Ayrshire Growth Deal reflecting delays in the announcement of specific funding from both the UK and Scottish Governments;

- Millport Flood Protection has been re-profiled in line with anticipated programme to deliver the full scheme and also requires £1.870m of additional funding;
- Ardrossan Academy has been re-profiled to the latter years of the programme to ensure the total programme is deliverable within available resources. Should funding become available from the Scottish Government's Schools for the Future programme this could facilitate earlier delivery of Ardrossan Academy which has low ratings in terms of condition and suitability, with a number of key components nearing end of economic life.

#### Montgomerie Park Developments

2.7.8 An options appraisal was carried out to assess the most cost effective way of meeting projected education need in Irvine over the medium term. Consideration was given to a significant extension to Annick Primary School or a new build facility at Montgomerie Park. As part of this review consideration was given to the planned housing development at Montgomerie Park and the options for the Council to deliver this at pace.

2.7.9 The appraisal identified the following proposed net additional investment of £5.033m to deliver both outcomes:

- Investment of £4.600m in core infrastructure to support housing development at Montgomerie Park and generate anticipated capital receipts of £10.725m;
- £0.950m for the development of PE facilities at Annick Primary School to ensure the school is able to deliver on its curricular commitment, this being in addition to the £0.548m in the current capital plan to support a 3 class extension;
- £9.660m for a new school at Montgomerie Park;
- Partially funded by the additional capital receipts of £10.725m.

#### Moorpark Primary School

2.7.10 The current capital programme provides £2.975m for the extension of Moorpark Primary School, more recent assessment of the school has confirmed that £6.750m would be required to address the lifecycle issues arising at the facility. Given the age of the school and the potential for further costs to arise as the refurbishment is being undertaken, the assessment is that a better value for money option, and one which ensure the condition and suitability of the school for the long term, is a new build requiring additional funding of £6.621m. This will deliver a new school in 2021/22.

#### Residential and respite unit for children

2.7.11 The proposed £5.720m investment will deliver respite and residential services co-located with the new ASN school providing modern fit for purpose local services to meet the health and social care needs of the young people and their families, supporting their overall development and educational potential.

### Lifecycle Investment

- 2.7.12 A number of the proposed projects extend current lifecycle investment into the final two years of the draft Programme, this includes vehicle replacement (£2m per annum) and lighting investment (£1m per annum). Improvement Grants have been extended to year 10 but at a reduced value of £0.500m. In addition investment of £0.700m is required to carry out essential repairs to stabilise the Largs promenade seawall.
- 2.7.13 Significant additional investment is proposed in property and roads lifecycle, £10.500m and £16.200m respectively. A brief narrative on the planned investment is noted below:
- Property – the proposal will enable high priority cyclical and statutory investment to extend the life of the Council's core assets ensuring they remain fit for purpose, supporting delivery of core front line services;
  - Roads – the additional investment is required to maintain the condition of the Council's roads over the next ten years, the profile of this investment aligns with the overall affordability of the total proposed programme.

### Other Projects

- 2.7.14 There are a number of other proposed projects within the Programme, a brief summary of these is provided below;
- Investment of £0.300m in infrastructure to support the introduction of charging for parking with the potential for this to deliver future revenue savings;
  - £1.500m investment to introduce an enhanced recycling and waste collection service from April 2019 as part of the Council's Zero Waste Strategy 2018 - 2022 approved by Cabinet on 12 December 2017;
  - £0.426m investment in infrastructure to support the proposed ICT applications refresh and implementation of the Digital Strategy;
  - Reinstatement of £0.120m investment in solar energy, deferred from the current programme to support early delivery of the Annick Primary School extension.
- 2.7.15 £1.351m of resource remains unallocated, this provides flexibility to support any variation on the value, including construction inflation, and timing of the total Programme.
- 2.7.16 A full analysis of the changes to the programme is included at Appendix 2.
- 2.8 A summary of the proposed investment aligned to the Council Plan outcomes is provided below.
- 2.8.1 £88m ensuring people have the right skills for learning, life and work.
- Development of the Primary School Estate including PE facilities at Annick Primary and new schools at Montgomerie Park and Moorpark;

- New additional supports needs school at Auchenhavrie;
- New build Ardrossan Academy.

#### 2.8.2 £22m growing our economy, increasing employment and regenerating towns.

- Investment in our Town Centres;
- Infrastructure works to support development of Montgomerie Park;
- Ayrshire Growth Deal;
- Development of Vacant and Derelict Land.

#### 2.8.3 £26m helping our people to stay safe, healthy and active.

- Developing state of the art residential and respite unit for children and young people with disabilities;
- Investment at Tarryholme and in Improvement Grants supporting independent living for adults and older people;
- Lifecycle investment in lighting infrastructure.

#### 2.8.4 £105m protecting and enhancing the environment for future generations.

- Flood Protection at Millport and Upper Garnock;
- Investment in core assets including roads, property, cemeteries, bridges and vehicles to ensure the Council continues to make essential investment in its existing asset base to meet all statutory requirements, ensure no disruption to delivery of core services and minimise risk;
- Investment to support delivery of the Zero Waste Strategy.

### 2.9 **Revenue Implications**

2.9.1 A number of the projects have revenue implication in future years totalling £1.218 m. The analysis of expenditure requirements is provided in Appendix 2.

### 2.10 **Conclusion**

2.10.1 The proposed capital investment programme for the period 2018/19 to 2027/28 is attached at Appendix 3. This confirms additional investment of £58.686m, delivering a £245.670m programme of investment over this period which aligns with the Council's key priorities and core asset management plans.

2.10.2 The programme is affordable based on the estimated funding streams set out in the 2018/19 to 2020/21 revenue budget, the Long Term Financial Outlook considered at Council on 4 October 2017 and the Prudential Investment Fund. The long term affordability of the Programme is highlighted in the Treasury Management and Investment Strategy reported elsewhere on the Agenda.

2.10.3 The updated Capital Investment Strategy, alongside the Treasury Management and Investment Strategy, ensures that the Council complies with the new regulatory requirements.

### 3. Proposals

- 3.1 That Council (a) approves the draft Capital Investment Programme to 2027/28 (b) notes that the programme will be reviewed on an on-going basis with the next major review within 3 years and (c) approves the Capital Investment Strategy.

### 4. Implications

<b>Financial:</b>	<p>The revised capital programme is based on a number of assumptions around the availability of finance including capital grant and capital receipts. Given the forward projection for 10 years it is essential that these and the cost of projects is kept under review.</p> <p>The revenue consequences are £1.218m with the analysis of this provided in Appendix 2. £0.450m of savings from the development of the new ASN school underpin future year prudential borrowing.</p> <p>There are a number of assumptions underpinning the current revenue projection including; the level of loans fund support, the level of future interest rates, delivery of the programme within the timelines outlined in the programme and application of the Prudential Investment Fund to smooth the revenue implications across the life of the plan.</p>
<b>Human Resources:</b>	No direct implications.



<b>Legal:</b>	No direct implications.
<b>Equality:</b>	Where the Council is making decisions in relation to its spending priorities, it is obliged to comply with the public sector equality duty set out in the Equalities Act 2010. To meet this requirement, the Council assesses the impact of applying a decision against key groups to ensure that certain groups are not disadvantaged by those decisions.  A number of the projects within the revised capital programme, will make a positive contribution to the Council's commitment to equalities.
<b>Children and Young People:</b>	More than £94m of the proposed programme aligns with the Council's commitment to children and young people.
<b>Environmental &amp; Sustainability:</b>	All projects within the revised plan will be delivered to minimise the impact on the environment and maximise sustainability.
<b>Key Priorities:</b>	The programme will support delivery of outcomes outlined the Council Plan 2015-2020
<b>Community Benefits:</b>	The Council will maximise delivery of community benefits from its investment programme

## 5. Consultation

- 5.1 A full consultation has taken place with all Executive Directors to identify capital investment that has the maximum impact on the communities of North Ayrshire. The draft programme has been shared with all Elected Members as the programme has been developed.



Laura Friel  
Executive Director (Finance & Corporate Support)

For further information please contact Laura Friel, (Executive Director) on 01294 324554.

## Background Papers

None

- Appendix 1 Current programme 2018/19 to 2025/26
- Appendix 2 Proposed Changes 2018/19 to 2027/28
- Appendix 3 Revised programme 2018/19 to 2027/28
- Appendix 4 Capital Asset Strategy 2018 2028

**North Ayrshire Council**  
**Current Capital Programme 2018/19 - 2025/26**

		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total Budget
Project Description		£	£	£	£	£	£	£	£	£	£	£
EXPENDITURE	OUTCOME	£	£	£	£	£	£	£	£	£	£	£
Economy & Communities												
Town Centre Regeneration	1	587,753	503,000	50,000	50,000	50,000						1,240,753
Irvine High Street	1	2,230,000	200,000									2,430,000
Millport Cars	1	200,000	200,000									400,000
Pennyburn Roundabout	1			1,000,000	1,000,000							2,000,000
Purchase of Strategic Assets	1	42,210										42,210
Ayrshire Growth Deal	1	1,000,000	2,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000			9,000,000
Lochshore, Kilbirnie	5	25,000										25,000
Ardrossan Harbour	1	600,000										600,000
Quarry Road Phase 2	1	1,760,000	1,690,000									3,450,000
Cycling / Walker / Safer Streets	4	8,000	226,000	185,000	185,000	185,000	185,000	185,000	185,000	185,000	185,000	1,714,000
Access Paths Network Programme	4	50,000	50,000	50,000	50,000	50,000						250,000
Castles & Historic Monuments	5	75,000	100,000	100,000	100,000	100,000						475,000
Sub Total		6,577,963	4,969,000	2,385,000	2,385,000	1,385,000	1,185,000	1,185,000	1,185,000	185,000	185,000	21,626,963
Education & Youth Employment												
Dykesmains Primary School nursery adapts	3	1,148,852										1,148,852
Early Learning & Childcare	3	1,498,871										1,498,871
Annick early years	3	998,995	1,000,000									1,998,995
Moorpark Primary - extension	3	2,473,620	500,000									2,973,620
Schools ICT investment	3	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000			2,800,000
Kilwinning Estate Learning Envnt	3	1,752,359	907,500									2,659,859
Auchenharvie Secondary Estate Learning Envnt	3	1,278,843	34,033									1,312,876
Auchenharvie PE Works	3	1,868,010										1,868,010
Largs Academy	3	920,000										920,000
Ardrossan New Build	3					5,733,000	10,000,000	9,629,000	6,228,000			31,590,000
New Build - ASN School	3	1,720,000	10,000,000	8,148,000	4,908,000							24,776,000
Sub Total		14,009,550	12,791,533	8,498,000	5,258,000	6,083,000	10,350,000	9,979,000	6,578,000	0	0	73,547,083
Finance & Corporate Support												
PC replacement/virtual desktop	6	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000			800,000
Microsoft office upgrade	6	396,140	275,000									671,140
Data rationalisation & storage	6	50,000	150,000	50,000	50,000	50,000	50,000	50,000	50,000			500,000
Agile working	6	75,000	50,000	25,000	25,000	25,000	25,000	25,000	25,000			275,000
Business continuity	6	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000			400,000
Infrastructure enhancements	6	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000			400,000
Microsoft enterprise agreement	6					275,000	275,000	275,000				825,000
Sub Total		721,140	675,000	275,000	275,000	550,000	550,000	550,000	275,000	0	0	3,871,140
Health & Social Care Partnership												
Carefirst IT Development	6	36,058										36,058
Tarryholme	4	3,343,200										3,343,200
Tarryholme Drive - Warrix Avenue	4	721,000										721,000
HSCP ICT investment to support integration	6	70,000										70,000

North Ayrshire Council Current Capital Programme 2018/19 - 2025/26												
Project Description		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total Budget
		£	£	£	£	£	£	£	£	£	£	£
<b>Sub Total</b>		<b>4,170,258</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,170,258</b>
<b>Place</b>												
Roads Improvement / Reconstruction	5	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000			16,800,000
B714 upgrade	1	186,674			1,283,629							1,470,303
Lighting	4	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000			8,000,000
Upper Garnock FPS	5	700,000	8,600,000	6,646,082								15,946,082
Millport Coastal FPS	5	200,000	6,070,000	220,000								6,490,000
Bridges infrastructure programme	5	814,143	560,000	560,000	560,000	560,000		170,000				3,224,143
Property lifecycle investment	5	2,719,857	3,000,000									5,719,857
Industrial portfolio	1	200,000	200,000	200,000								600,000
Improvement grants	4	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000			5,600,000
Cemetery extns, walls & infra	5	1,311,583	960,000	384,000	339,000	62,000	112,000	35,000	200,000			3,403,583
Knadgerhill Cemetery	5	2,575										2,575
Vehicles	5	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000			16,000,000
Shewalton landfill	5	512,000										512,000
<b>Sub Total</b>		<b>12,446,832</b>	<b>25,190,000</b>	<b>13,810,082</b>	<b>7,982,629</b>	<b>6,422,000</b>	<b>5,912,000</b>	<b>6,005,000</b>	<b>6,000,000</b>	<b>0</b>	<b>0</b>	<b>83,768,543</b>
<b>TOTAL EXPENDITURE</b>		<b>37,925,743</b>	<b>43,625,533</b>	<b>24,968,082</b>	<b>15,900,629</b>	<b>14,440,000</b>	<b>17,997,000</b>	<b>17,719,000</b>	<b>14,038,000</b>	<b>185,000</b>	<b>185,000</b>	<b>186,983,987</b>
<b>INCOME</b>												
Prudential Borrowing		12,685,286	23,771,533	9,517,526	176,826	-393,000	4,204,000	3,926,000	245,000			54,133,171
Specific Capital Grants - cycling, walking & safer streets		185,000	226,000	185,000	185,000	185,000	185,000	185,000	185,000	185,000	185,000	1,891,000
General Capital Grant		13,108,000	15,843,000	13,108,000	13,108,000	13,108,000	13,108,000	13,108,000	13,108,000			107,599,000
Capital Fund		3,753,955			890,803							4,644,758
Change & Redesign Fund		36,058										36,058
CFCR		1,112,000										1,112,000
Grants & Contributions		2,978,000										2,978,000
Capital Receipts		4,067,444	3,785,000	2,157,556	1,540,000	1,540,000	500,000	500,000	500,000			14,590,000
<b>Total Income</b>		<b>37,925,743</b>	<b>43,625,533</b>	<b>24,968,082</b>	<b>15,900,629</b>	<b>14,440,000</b>	<b>17,997,000</b>	<b>17,719,000</b>	<b>14,038,000</b>	<b>185,000</b>	<b>185,000</b>	<b>186,983,987</b>

<b>NORTH AYRSHIRE COUNCIL</b> <b>Proposed Changes to Capital Programme 2018/19 - 2025/26</b>												
EXPENDITURE	OUTCOME	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £	Total £
<b>UNCOMMITTED FUNDS (PROJECTS RECOMMENDED TO BE REMOVED FROM CURRENT PLAN)</b>												
Children & Young People Act	3	689,000										689,000
Early Learning & Childcare holding code	3	809,871										809,871
Dykesmains primary school nursery adapts	3	1,148,852										1,148,852
Castles & Historic monuments	5	75,000	100,000	100,000	100,000	100,000						475,000
Town Centre Regeneration	1	489,000	503,000	50,000	50,000	50,000						1,142,000
Pennyburn Roundabout	1			1,000,000	1,000,000							2,000,000
B714 Re-alignment	1	186,674			1,283,629							1,470,303
Microsoft office upgrade	6	396,140	275,000	0		275,000	275,000	275,000				1,496,140
Improvement Grants	4	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000			1,600,000
<b>TOTAL UNCOMMITTED FUNDS</b>		<b>3,994,537</b>	<b>1,078,000</b>	<b>1,350,000</b>	<b>2,633,629</b>	<b>625,000</b>	<b>475,000</b>	<b>475,000</b>	<b>200,000</b>	<b>0</b>	<b>0</b>	<b>10,831,166</b>
<b>Rephased Projects</b>												
Ardrossan New Build	3					-5,733,000	-10,000,000	-2,196,000	3,401,000	8,228,000	6,300,000	0
Auchenharvie Academy	3	264,178										264,178
Kilwinning Academy	3											0
Millport Flood Prevention	5		-3,000,000	3,000,000								0
Ayrshire Growth Deal	1	-1,000,000	-1,000,000							1,000,000	1,000,000	0
Mobile Working	6	225,000	-50,000	-25,000	-25,000	-25,000	-25,000	-25,000	-25,000			25,000
<b>Total Rephased Projects</b>		<b>-510,822</b>	<b>-4,050,000</b>	<b>2,975,000</b>	<b>-25,000</b>	<b>-5,758,000</b>	<b>-10,025,000</b>	<b>-2,221,000</b>	<b>3,376,000</b>	<b>9,228,000</b>	<b>7,300,000</b>	<b>289,178</b>
<b>Proposed New Projects</b>												
Digital Strategy	6	317,000	109,000									426,000
Parking Charges & DPE	1	150,000	150,000									300,000
Solar Energy	5	120,000										120,000
Waste Collection Review	5	1,500,000										1,500,000
Annick Primary PE facilities	3	150,000	800,000									950,000
Montgomerie Park School	3				344,999	4,024,987	5,289,982					9,659,968
Montgomerie Park Infrastructure	1		1,150,000	1,150,000		1,150,000	1,150,000					4,600,000
Moorpark primary school	3	-2,253,885	-161,947	4,529,917	4,507,380							6,621,465
Largs Promenade seawall	5	700,000										700,000
Property Lifecycle	5				1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	10,500,000
Roads Investment Plan	5	1,400,000	1,700,000		1,200,000	1,600,000	3,800,000	2,700,000	1,200,000	1,300,000	1,300,000	16,200,000
Vehicle Replacement	5					-500,000	500,000			2,000,000	2,000,000	4,000,000
Lighting Lifecycle	5									1,000,000	1,000,000	2,000,000
Millport Flood Prevention Scheme	5			1,130,000	740,000							1,870,000
Improvement Grants	4									500,000	500,000	1,000,000
Vacant & Derelict Land Funding (VDLF) 2018-19	5	1,709,000										1,709,000
Residential & respite unit for children	4			2,920,000	2,800,000							5,720,000

**NORTH AYRSHIRE COUNCIL**  
**Proposed Changes to Capital Programme 2018/19 - 2025/26**

		2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £	Total £
Improvement Fund	6	486,674		50,000	50,000	50,000	345,773	24,185			344,474	1,351,106
<b>Total New Projects</b>		<b>4,278,789</b>	<b>3,747,053</b>	<b>9,779,917</b>	<b>11,142,379</b>	<b>7,824,987</b>	<b>12,585,755</b>	<b>4,224,185</b>	<b>2,700,000</b>	<b>6,300,000</b>	<b>6,644,474</b>	<b>69,227,539</b>
<b>TOTAL NEW EXPENDITURE / REPHASED PROJECTS / UNCOMMITTED FUNDS</b>		<b>-226,570</b>	<b>-1,380,947</b>	<b>11,404,917</b>	<b>8,483,750</b>	<b>1,441,987</b>	<b>2,085,755</b>	<b>1,528,185</b>	<b>5,876,000</b>	<b>15,528,000</b>	<b>13,944,474</b>	<b>58,685,551</b>
<b>INCOME</b>												
General Capital Grant		13,108,000	-5,867,000	-5,867,000	458,000	458,000	458,000	458,000	458,000	-12,650,000	-12,650,000	-21,636,000
Specific Capital Grants - VDLF		-1,709,000										-1,709,000
Capital Receipts		217,443	2,355,000	967,556	-817,700	1,000,000				-500,000	-500,000	2,722,299
Montgomerie Park Capital Receipts			-370,755	-979,851	-979,851	-1,244,676	-1,853,773	-1,986,185	-1,456,536	-1,059,299	-794,474	-10,725,400
Prudential Investment		-11,389,873	5,263,702	-5,525,622	-7,144,199	-1,655,311	-689,982		-4,877,464	-1,318,701		-27,337,450
<b>TOTAL INCOME</b>		<b>226,570</b>	<b>1,380,947</b>	<b>-11,404,917</b>	<b>-8,483,750</b>	<b>-1,441,987</b>	<b>-2,085,755</b>	<b>-1,528,185</b>	<b>-5,876,000</b>	<b>-15,528,000</b>	<b>-13,944,474</b>	<b>-58,685,551</b>
<b>REVENUE CONSEQUENCES OF PROPOSED PROGRAMME</b>												
Moorpark primary school					138,576							138,576
Montgomerie Park						1,079,639						1,079,639
<b>TOTAL REVENUE CONSEQUENCES</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>138,576</b>	<b>1,079,639</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,218,215</b>

**Key to Outcomes**

1. Growing our economy, increasing employment and regenerating towns
2. Working Together to develop stronger communities
3. Ensuring people have the right skills for learning, life and work
4. Helping all of our people to stay safe, healthy and active
5. Protecting and enhancing the environment for future generations
6. Underpinning our priorities

**North Ayrshire Council**  
**Revised Capital Programme 2017/18 - 2025/26**

Project Description		2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £	Total £
EXPENDITURE	Outcome											
<b>Economy &amp; Communities</b>												
Town Centre Regeneration	1	98,753										98,753
Irvine High Street	1	2,230,000	200,000									2,430,000
Millport Cars	1	200,000	200,000									400,000
Montgomerie Park Masterplan	1		1,150,000	1,150,000		1,150,000	1,150,000					4,600,000
Purchase of Strategic Assets	1	42,210										42,210
Ayrshire Growth Deal	1		1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	9,000,000
Vacant & Derelict Land Funding (VDLF) 2018-19	5	1,709,000										1,709,000
Lochshore, Kilbirnie	5	25,000										25,000
Ardrossan Harbour	1	600,000										600,000
Quarry Road Phase 2	1	1,760,000	1,690,000									3,450,000
Cycling / Walker / Safer Streets	4	8,000	226,000	185,000	185,000	185,000	185,000	185,000	185,000	185,000	185,000	1,714,000
Access Paths Network Programme	4	50,000	50,000	50,000	50,000	50,000						250,000
<b>Sub Total</b>		<b>6,722,963</b>	<b>4,516,000</b>	<b>2,385,000</b>	<b>1,235,000</b>	<b>2,385,000</b>	<b>2,335,000</b>	<b>1,185,000</b>	<b>1,185,000</b>	<b>1,185,000</b>	<b>1,185,000</b>	<b>24,318,963</b>
<b>Education &amp; Youth Employment</b>												
Annick early years	3	998,995	1,000,000									1,998,995
Moorpark Primary - new build	3	219,735	338,053	4,529,917	4,507,380							9,595,085
Schools ICT investment	3	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000			2,800,000
Kilwinning Estate Learning Envt	3	1,752,359	907,500									2,659,859
Auchenharvie Secondary Estate Learning Envt	3	1,543,021	34,033									1,577,054
Auchenharvie PE Works	3	1,868,010										1,868,010
Largs Academy	3	920,000										920,000
Ardrossan New Build	3							7,433,000	9,629,000	8,228,000	6,300,000	31,590,000
New Build - ASN School	3	1,720,000	10,000,000	8,148,000	4,908,000							24,776,000
Annick Primary PE Facilities	3	150,000	800,000									950,000
Montgomerie Park School	3				344,999	4,024,987	5,289,982					9,659,968
<b>Sub Total</b>		<b>9,522,120</b>	<b>13,429,586</b>	<b>13,027,917</b>	<b>10,110,379</b>	<b>4,374,987</b>	<b>5,639,982</b>	<b>7,783,000</b>	<b>9,979,000</b>	<b>8,228,000</b>	<b>6,300,000</b>	<b>88,394,971</b>
<b>Finance &amp; Corporate Support</b>												
PC replacement/virtual desktop	6	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000			800,000
Data rationalisation & storage	6	50,000	150,000	50,000	50,000	50,000	50,000	50,000	50,000			500,000
Agile working	6	300,000										300,000
Business continuity	6	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000			400,000
Infrastructure enhancements	6	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000			400,000

<p align="center"><b>North Ayrshire Council</b>  <b>Revised Capital Programme 2017/18 - 2025/26</b></p>	
---	--

[illegible]

**North Ayrshire Council**  
**Revised Capital Programme 2017/18 - 2025/26**

Project Description		2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £	Total £
General Capital Grant			21,710,000	18,975,000	12,650,000	12,650,000	12,650,000	12,650,000	12,650,000	12,650,000	12,650,000	129,235,000
Capital Fund		3,753,955			890,803							4,644,758
Change & Redesign Fund		36,058										36,058
CFCR		1,112,000										1,112,000
Grants & Contributions		2,978,000										2,978,000
Montgomerie Park Capital Receipts			370,755	979,851	979,851	1,244,676	1,853,773	1,986,185	1,456,536	1,059,299	794,474	10,725,400
Capital Receipts		3,850,001	1,430,000	1,190,000	2,357,700	540,000	500,000	500,000	500,000	500,000	500,000	11,867,701
<b>Total Income</b>		<b>37,699,173</b>	<b>42,244,586</b>	<b>36,372,999</b>	<b>24,384,379</b>	<b>15,881,987</b>	<b>20,082,755</b>	<b>19,247,185</b>	<b>19,914,000</b>	<b>15,713,000</b>	<b>14,129,474</b>	<b>245,669,538</b>





North Ayrshire Council  
Comhairle Siorrachd Àir a Tuath

# Capital Investment Strategy

## 2018-2028



## **1. PURPOSE**

The Council is required by regulation, to have regard to CIPFA's Prudential Code (revised 2017) under Part 7 of the Local Government in Scotland Act 2003.

The prudential code requires authorities to have a Capital Investment Strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk, reward and impact on the achievement of priority outcomes.

This Capital Investment Strategy (CIS) is a high level framework for the management of the Council's core assets and infrastructure and sets out broad principles for the development of the Council's capital strategies and plans. It sits alongside;

- The Council's Treasury Management and Investment Strategy; and
- The Council's Asset Management Plans.

The Council makes a clear distinction between capital investments, where the achievement of strategic outcomes are considered, and treasury management investments which are made for the purpose of cash flow management.

These strategies and plans support the Council's 10 year capital investment programme.

## **2. INTRODUCTION**

The Council recognises that a longer term financial plan for assets is vital to secure best value, this reflects the high value of these assets together with the longer time frame to secure, develop or dispose of assets. By carefully planning investment and taking a longer term approach the Council ensures that scarce resources are applied in a sustainable way that supports Council and partner priorities.

To assist the Council in achieving its key objectives it requires to ensure that its assets align with the broader priorities and plans of the Council and the Single Outcome Agreement. The strategic approach focusses on best value and improvement, ensuring the council complies with best practice by:

- Having sound governance arrangements to improve corporate asset management;
- Ensuring the Council only retains assets which support its strategic objectives;
- Having a corporate approach to prioritisation of investment founded on a clear business case and clear criteria, with due consideration to whole-life costing;
- Delivering better public services through improved assets and appropriate colocation of services;
- Ensuring assets are fit for purpose, deliver best value in terms of investment, running costs, maintenance and environmental impact;
- Maximising usage of all assets;
- Maintaining the condition of core assets through life cycle investment;
- Complying with all statutory requirements;

- Having appropriate financial and performance measures, including benchmarking, demonstrating improved performance over time;
- Embedding post-project evaluation; and
- Ensuring effective procurement.

### 3. GOVERNANCE

The specific roles and responsibilities within the Council are detailed below:

The **Council** approves the corporate framework and the medium and longer term capital investment programme.

**Cabinet** receives regular progress reports and approves amendments to the capital investment programme.

The **Executive Leadership Team**, the **Capital Programme and Assets Group (CPAG)** and the **Strategic Property Assets Group (SPAG)** ensure officer co-ordination of corporate asset management and support the Council and Cabinet at chief officer and senior management levels.

The **Executive Leadership Team** is responsible for advising Members on the relative priorities of the Council's long term investment needs and ensuring all major capital projects deliver anticipated benefits on time and within budget.

**CPAG** is chaired by the Executive Director (Finance and Corporate Support) with representation from senior officers across all Services. It meets on a monthly basis with the remit of:

- ensuring a strategic and corporate overview of the capital investment programme;
- developing and monitoring the Council's capital investment programme, tracking slippage on delivery of the programme and expenditure against approved budget;
- developing clear criteria for investment of Council resources on asset matters and assessing all investment business cases;
- developing a capital receipts strategy.

The **Strategic Property Assets Group (SPAG)** provides a strategic focus on the Council's operational assets, ensuring that the use of these assets is optimised through cross directorate working, developing and delivering the Asset Management Plans.

The key objective of the Strategic Assets Group is the effective utilisation of Council assets to reduce the public sector's building footprint and deliver improved services from a smaller, more efficient, better managed and fit for purpose retained estate. The Group is developing a strategy for implementing the vision for each Neighbourhood.

**Chief Officers and Senior Managers** are responsible for:

- working together to ensure a corporate approach to asset management is in place and delivering the Council's asset management plans and associated investment programme;
- contributing to the development and delivery of asset strategies and plans;

- ensuring consultation on asset management is undertaken with all relevant stakeholders.

**Service Project Boards** chaired by Executive Directors with representation from relevant Services, are responsible for ensuring robust project management is in place to deliver projects on time and within budget.

The **Business Plan Implementation Group (BPIG)** oversees the development and delivery of the HRA Business Plan, which underpins the capital investment strategy. This group is not a decision making body and requires Committee approval for any proposals.

**Financial Services** is responsible for effective management of the Loans Fund and in partnership with Services, for ensuring availability of timely and accurate financial information.

### Asset Plans

In line with the CIPFA “Guide to Asset Management and Capital Planning in Local Authorities” North Ayrshire has classified its assets into six categories;

Asset Plan	Directorate	Chief Officer
Property (including Common Good assets)	Place	Head of Physical Environment
Housing		
Roads including structures, lighting and water infrastructure		Head of Commercial Services
Open Space		
Fleet including vehicles, plant and equipment		
ICT	Finance and Corporate Support	Head of Customer and Digital

Development of the asset management plans reflects best practice and North Ayrshire Council’s commitment to sound asset management.

The Asset Plans aim to ensure that the Council holds the right assets and that they are fit for purpose in terms of condition, suitability, sufficiency and accessibility. They follow a broadly similar structure establishing the Council’s current asset base and are the vehicle for identifying future investment across all asset classes. The Plan set out clear actions for each asset plan, with the Action Plan updated on annual basis.

Lifecycle investment costs are identified for relevant asset classes to ensure there is a clear understanding of the cost of maintaining assets and infrastructure, to a standard that supports current service delivery.

In addition to the assets captured in the core asset plans, there is a range of initiatives, including town centre regeneration which do not sit within any of the core asset plans as the assets are not Council owned. The need for investment in these assets is recognised in the Council's capital investment programme.

To ensure Members are fully apprised of progress on development of the Council's approach to the management of its assets, update reports are submitted to Cabinet.

## **4. CAPITAL INVESTMENT PROGRAMME**

### **4.1 Approach**

The Council takes a long term approach to capital investment covering a 10-year period. The 10-year plan is updated annually, with a full refresh every third year.

Expenditure is classified as capital when it is incurred on the purchase or improvement of assets that have a long-term value to the Council, such as land and buildings and where benefit from the investment in the assets is for a long period of time. It is the Council's policy to capitalise any expenditure, over a total value of £10,000, which fulfils this criteria.

This strategy outlines the framework in which those capital expenditure decisions are made, and the principles to which the Council adheres.

### **4.2 Project Business Cases**

For the capital programme the business case provides the framework for developing capital proposals. Information, advice and training on the requirements of this is available for officers and Members. For any project seeking capital expenditure approval, a business case must be produced, covering:

- Aims and objectives
- Approach
- Scope
- Benefits
- Risks, constraints and dependencies
- Implications for Stakeholders
- Critical success factors
- Evaluation criteria and scoring mechanism
- Capital costs, funding profile, revenue impact and affordability

Investment is then prioritised using the following criteria;

- invest to save;
- statutory duty;
- business continuity;
- cost avoidance;
- Alignment to Council outcomes.

All Business Cases are considered by CPAG and the Executive Leadership Team, with a recommendation being made to Cabinet, for inclusion of new projects into the Capital programme.

### **4.3 10-Year Capital Programme**

The Council's capital investment programme covers a 10 year period. The longer term approach is desirable due to:

- the longer time frame required to define need and develop sound plans / business cases;
- the need to ensure that all investment fits with the longer term Council mission;
- the high cost of acquiring, developing and using assets and the need to ensure these are in use for the longest time period.

The longer term programme may be affected by a number of factors; the economy, inflation, availability of Scottish Government Grants, value and timing of capital receipts; and market condition impacting on the tenders submitted by contractors. The Programme is reviewed on an annual basis to ensure projects can continue to be delivered within available resources.

The approach to development of the proposed Capital Investment Programme includes;

- A full review of the current programme;
- Identification of opportunities to reprioritise projects for which there is no current commitment;
- Review of the phasing of projects from a delivery and affordability perspective;
- Options appraisal of emerging Business Cases;
- The need to extend lifecycle investment to protect core assets.

In developing proposals, lifecycle investment in current assets, requires to be considered to sustain these assets for future service delivery.

Investment priorities are assessed against available resources, including additional prudential borrowing.

Given the longer term nature of the 10-year programme it is inevitable that high level estimates will be used for the schemes later in the programme. Following approval of the programme, these require to be developed to full schemes.

### **4.4 Lifecycle Investment and Asset Maintenance Strategy**

There is a requirement for the Council to continue to invest in its core assets and infrastructure to sustain these for future service delivery. This includes:

- ensuring key properties are fit for purpose, as far as possible, in terms of condition, inclusion and suitability;
- minimising deterioration in the condition of the Council's roads network and ageing lighting columns,
- replacing vehicles which are essential to the delivery of a range of services including Education, Health and Social Care and Waste Services,

- replacing some of the Council's ageing ICT equipment to allow the Council to maximise use of technology and operate as efficiently as possible; and
- continuing investment to ensure our cemeteries meet the needs of our communities.

In addition to capital funding, the Council has revenue funding available for major and recurring maintenance and statutory compliance of the property estate.

## **5 FUNDING STRATEGY**

### **5.1 Funding Principles**

In developing the Council's corporate 10-year capital investment programme it is important to ensure the investment proposals are affordable now and in future. As such a number of broad principles are applied:

- As far as possible initiatives are funded from the Scottish Government Grant;
- Where there is a clear business case and efficiencies or significant contribution to strategic objectives can be demonstrated, investment may be funded via additional prudential borrowing;
- Where external funding, grants or partner contributions, can be secured for a key Council priority and match funding is required by the Council;
- Where capital receipts have been confirmed, this can be used to enhance the core investment programme, recognising the risk around value and timing of capital receipts.

Outwith the above, additional prudential borrowing will only be supported where provision is specifically made within the Council's medium / long term revenue financial plan. Charges to the General Fund will comply with relevant legislation and regulations ensuring a prudent approach is deployed.

An annual review of the Loans Fund is carried out aligning the Council's borrowing decisions with investment decisions, the Council's debt profile and its revenue budget.

The Council has a Prudential Investment Fund to smooth the funding requirements of its 10-year capital investment programme.

### **5.2 Restrictions around funds**

- The Housing Revenue Account (HRA) is a restricted fund, and funding from the HRA can only be used to fund capital expenditure on HRA assets.
- Grants received will be used for the specific purpose intended, even if the terms of such grants are not restrictive, unless alternative use promotes the same aims.

### **5.3 Funding Sources**

In determining the affordability of its capital investment programme, an estimate is made of available resources, giving due consideration to the inter-dependencies between the capital and revenue budgets. Capital investment may generate, avoid or reduce cost pressures on the revenue budgets depending on the nature of the investment. Similarly,

revenue investment in asset maintenance may avoid or delay the need for capital expenditure.

The main sources of funding are Scottish Government Grant and prudential borrowing. Other sources include; revenue contributions; earmarked funds; contributions from other organisations and capital receipts.

#### **5.4 Prudential Borrowing**

The Prudential Code for Capital Finance in Local Authorities enables councils to set their own borrowing limits with a requirement to ensure that investment plans are affordable, prudent and sustainable. The Council can borrow over a number of years to augment its capital income, provided the resultant annual debt repayments can be accommodated within future years' revenue budgets. The Council's annual Treasury Management and Investment Strategy sets out the prudential indicators and parameters, with regular reporting to Members.

#### **5.5 Capital Grants**

Scottish Government general capital grant is a significant funding source for the General Services capital programme. Like other sources of funding this is subject to change.

Forecasts of government grant for future years require to be closely monitored and spending plans adjusted as appropriate, particularly recognising the long lead time associated with capital projects and the limited ability to reduce spending once projects have been initiated.

#### **5.6 Capital Receipts**

The economic downturn had an adverse impact on the Council's ability to generate capital receipts from the disposal of surplus land, buildings and other assets. The capital receipts plan is kept under review to ensure the value and timing of capital receipts continue to align with the assumptions in the capital investment programme.

#### **5.7 Other Sources of Funding**

The Council seeks to secure funding from other organisations where this fits with delivery of outcomes. Opportunities include Strathclyde Passenger for Transport (SPT) and the Scottish Government Capital Regeneration Fund.

### **6. SUMMARY**

North Ayrshire continues to develop its approach to asset management to ensure it complies with best practice and delivers best value. This is achieved through keeping the governance arrangements under review, including the Capital Investment Strategy (CIS) and implementing the Action Plans around its six Asset Plans.

The CIS and the Asset Plans inform the development of the 10 year capital investment programme. A longer term Capital Investment Programme ensures the Council has more effective plans around its core assets.



The Capital Investment Strategy and Capital Investment Programme will continue to develop via:

- An annual review of the investment programme to update for any significant matters with a full review every third year;
- Regular progress reports on the development and implementation of the six asset management plans
- Regular two-monthly capital monitoring reports to Cabinet
- Learning from Best Practice, including Audit Scotland reports.

Laura Friel  
Executive Director (Finance and Corporate Support)  
February 2018