
NORTH AYRSHIRE COUNCIL

2 March 2022

North Ayrshire Council

Title:	Capital Investment Programme 2022/23 to 2030/31
Purpose:	To advise Council on the draft Capital Investment Programme to 2030/31
Recommendation:	That Council : (a) approves the refreshed Capital Investment Programme to 2030/31 included in appendix 3; (b) notes that the programme will be reviewed on an on-going basis with the next major review in 2023/24; and (c) approves the refreshed Capital Investment Strategy included in appendix 4.

1. Executive Summary

- 1.1 The General Services Capital Investment Programme 2021/22 to 2030/31 was approved by Council on 4 March 2021. This report outlines the recommendations of the refresh of the Capital Investment Programme carried out during 2021/22. The next full review of the Programme will be carried out during 2023/24.
- 1.2 The refresh has incorporated all funding sources to 2030/31, including assumed levels of general capital grant, specific grants and a prudent assessment of the level of capital receipts over the period. The balance of funding required to deliver the capital programme will be met through prudential borrowing and this is anticipated at £198.262m.
- 1.3 The refresh considered the current Capital Investment Programme and takes cognisance of subsequent changes, including:
 - The ongoing impact of the pandemic on the overall Capital Investment Programme;
 - Changes to funding from core capital grants and other sources of income;
 - A review of spending profiles across key capital projects to support the Council's priorities; and
 - Revised levels of investment across projects, taking cognisance of Council priorities, external funding sources and investing in core assets through asset management plans.

- 1.4 The proposed refreshed Capital Investment Programme aligned to the Council Plan priorities, attached in Appendix 3, will deliver a total programme of £409.642m to 2030/31.
- 1.5 Compliance with Regulations 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 The longer term affordability of the current and future Capital Investment Programmes requires incremental increases to the current General Fund financing budgets. This has already been included across the years 2022/23 to 2024/25. As part of the next major review of the capital programme, due to be undertaken during 2023/24, a further review of the available General Fund financing budgets will be carried out with a view to increasing the available funding to maintain these Programmes.
- 1.7 In addition to the TMIS, there is also a requirement for the Council to publish a Capital Investment Strategy (CIS). As part of the review of the Capital Investment Programme, a refresh of the current CIS has been undertaken during 2021/22. The refreshed Strategy is attached at Appendix 4.
- 1.8 The Capital Investment Programme will continue to be reviewed on an on-going basis with any additional funding requests brought forward for approval as appropriate. Major reviews will be undertaken on a 3-year basis, with the next due to be completed during 2023/24.

2. Background

Capital Investment Programme 2022/23 to 2030/31

- 2.1 North Ayrshire Council approved the current Capital Investment Programme for the period to 2021/22 to 2030/31 on 4 March 2021. A refresh of the programme was undertaken during 2021/22. This report contains the outcome of the refresh.

Review of Capital Funding

Capital Grant Funding

- 2.2 Local Government Finance Circular 9/2021 confirmed the level of General Capital Grant as £13.150m for 2022/23. This includes £2.778m capital flood grant to support the ongoing schemes, £0.567m to support bridges infrastructure projects and £9.805m of General Capital Grant. Projected at this level to 2030/31, the total General Capital Grant for the period is forecast as £104.984m, including £16.172m of flooding grant over the remaining span of the programme.
- 2.3 In addition to the General Capital Grant, the Council will receive two Specific Grants:
 - £1.320m to tackle Vacant and Derelict Land with projects requiring Scottish Government approval; and
 - £0.588m, to fund Cycling, Walking and Safer Streets (CWSS).

2.4 The programme also includes previous Specific Grant allocations which have been carried over into 2022/23 in line with revised project plans, including:

- £0.464m for the expansion of Early Learning and Childcare;
- £2.390m from the 2021/22 Vacant and Derelict Land allocation;
- £0.523m from the 2021/22 CWSS allocation; and
- £0.706m in relation to the Place Based Investment Programme.

2.5 The Local Government Finance Circular also indicated that a further £30m was being made available across Scotland to support capital investment associated with the expansion of Free School Meals provision. Although it is anticipated that North Ayrshire Council will receive an allocation from this sum, it remains undistributed at this time and no provision for grant in relation to this has been included at this time.

Levelling Up Fund

2.6 The UK Government has confirmed that North Ayrshire Council has been awarded £23.693m from the Levelling Up Fund to support the upgrading of the B714 to improve connectivity between North Ayrshire and the wider motorway network. The award is subject to approval of a full business case and the provision of 10% match funding. This has been achieved through a £2.370m allocation from the Recovery and Renewal Fund.

Capital Receipts

2.7 A review of projected income from capital receipts has been undertaken during 2021/22. This is forecast to realise income of £2.790m over the period of the programme in relation to the sale of other Council owned assets.

Other External Funding

2.8 The programme includes funding from the Scottish and UK Governments to support the Ayrshire Growth Deal. The total anticipated funding is £59.000m which has been aligned to the latest programme planning information. It is recognised that expenditure profiles and funding will be subject to ongoing review on a pan Ayrshire basis.

2.9 In relation to additional grant funding from other external bodies, given the level of uncertainty around securing these funds, only those funds which have been confirmed, but not yet drawn-down, have been included. This includes an additional grant of £0.800m confirmed by the North Ayrshire Ventures Trust (NAVT) in support of the Ardrossan marina project.

Prudential Borrowing

2.10 The difference between the Council's Capital Investment Programme and funding from the above sources is met through prudential borrowing of £198.262m. The proposed revisions to the Capital Investment Programme will be delivered within the approved loan charges revenue budget, utilising the balances held in the Prudential Investment Fund and Capital Fund to smooth the revenue implications of the borrowing costs associated with the revised programme.

Future Affordability

- 2.11 The Prudential Investment Fund was created as part of the 2015/16 budget strategy to utilise short term underspends on General Fund financing budgets to offset longer term pressures to support Prudential Borrowing arising from the Capital Investment Programme.
- 2.12 Due to the significant investment planned by North Ayrshire Council over the period to 2030/31, it is projected that these funds will be exhausted by the end of the current 10 year Capital Investment Programme. In order to ensure the affordability of current and future capital investments beyond the term of the current programme, it will be necessary to incrementally increase the current General Fund financing budgets over the remaining period of the programme.
- 2.13 An indicative pressure has been included within the Revenue Estimates 2022/23 to 2024/25 and, as part of the next major review of the capital programme due to be undertaken during 2023/24, a review of the available General Fund financing budgets will be carried out with a view to making appropriate provisions within future revenue budgets to maintain the affordability of the current and future capital programmes in the longer term.

Refresh of the Capital Investment Programme to 2030/31

- 2.14 The refresh of the Capital Investment Programme to 2030/31 incorporates the re-profiling of a number of projects to better reflect current projected timelines and revised levels of investment that take cognisance of the Council's key priorities, funding availability and lifecycle maintenance requirements informed through asset management plans.

Re-Profiling

- 2.15 A total of £47.481m of planned expenditure has been re-profiled from 2021/22 into 2022/23 to 2030/31 in line with updated project delivery timelines. Full details of individual projects re-phased from 2021/22 have been reported to Cabinet throughout the year.
- 2.16 In addition, planned capital expenditure over the remaining period of the capital investment programme in relation to the additional £7.000m core infrastructure investment secured as part of last year's budget has been reviewed, allocated and accelerated to support additional investment of £5.234m over 2022/23 and 2023/24 in key areas, including roads maintenance (with an additional £1.000m in 2022/23 and £0.500m in 2023/24), traffic calming schemes, decarbonisation of the Council's fleet and CCTV.
- 2.17 A review of the latest programme planning information in relation to the Ayrshire Growth Deal (AGD) has resulted in a re-profiling of all projects across the 2022/23 to 2030/31 period with the net acceleration of £4.312m of expenditure previously programmed beyond the current 10 year Capital Investment Programme.

New Projects linked to Revised Funding

- 2.18 Following a successful application to the UK Government's Levelling Up Fund, confirmation has been received of £23.693m of additional funding in relation to the proposed upgrading of the B714. The upgrading of the B714 will significantly improve connectivity within North Ayrshire and between North Ayrshire and Glasgow, the Central Belt and wider motorway network. Substantially increasing the potential for tourism and economic development and providing enhanced links to the Arran and Cumbrae Ferry services, contributing to the repopulation of our islands and rural areas. The award is subject to the provision of 10% match funding which has been achieved through a £2.370m allocation from the Council's Recovery and Renewal Fund. The total planned expenditure of £26.063m has been added to the Capital Investment Programme with £25.866m profiled for expenditure during the period 2022/23 to 2030/31.
- 2.19 The local government finance settlement 2022/23 has confirmed allocations in relation to the Vacant and Derelict Land Fund, £1.320m, and Local Bridges Infrastructure, £0.567m. Indicative expenditure budgets have been included in relation to both of these amounts pending the completion of detailed project plans which require to be agreed with the Scottish Government.

Additional Investments

- 2.20 Following completion of Stage 2 cost estimates in relation to the Ardrossan Campus development and, following this, from several value engineering workshops and further refinement of budgets across the wider Ardrossan North Shore development, this has resulted in a proposed additional investment of £12.210m over the next four years. This investment has been driven by anticipated cost increases, including the design of the passivhaus energy solution required to achieve the challenging energy targets set by Scottish Futures Trust (SFT), and construction inflation, which is reflective of the significant level of volatility being experienced across the construction industry at this time. It is important to note that the tender process for the two major construction contracts have yet to be completed and, as such, the position may be subject to further change. Options in relation to alternative sources of funding will continue to be explored and progressed to further mitigate this position. In particular, further engagement with SFT is ongoing as it is recognised that current market conditions have increased the costs relative to the proportionate level of funding already set by SFT. As part of the Council's financial planning, it is therefore prudent at this time to recognise the current level of market volatility and risk and make appropriate financial provision based on latest cost estimates.
- 2.21 Further development of the planned AGD Marine Tourism programme has identified a requirement for an additional £2.000m of investment to deliver two breakwaters, therefore increasing the capacity of Ardrossan marina, providing additional tourism and visitor activity and additional jobs and spend in local services. Additional funding of £0.800m has been secured through the North Ayrshire Ventures Trust (NAVt). The balance of investment of £1.200m will be initially supported by prudential borrowing. However, the cost of borrowing, along with maintenance and seabed rental costs, will be met from anticipated income from the marina facility.

- 2.22 In support of the planned expansion of Free School Meals provision a number of improvements to the current kitchen and dining facilities, including some major adaptations across the school estate, have been identified as being essential to increase capacity in line with the anticipated uptake. This has resulted in an anticipated additional cost of investment of £10.357m over the next two years to ensure the learning estate infrastructure can support the policy intent. Important discussions are ongoing via COSLA with the Scottish Government to seek additional capital grant funding to support this investment, however, it would be prudent at this time to include the anticipated cost of this investment in the Capital plan to reflect the fact there remains a risk that full funding will not be made available.
- 2.23 Significant cost risks have been identified across the current Capital Investment Programme linked mainly to the ongoing consequences from the pandemic. Similar to the risks identified in section 2.20 of the report, It is anticipated that these will result in increased contractor and material costs from construction inflation impacting on a number of projects. In order to support the management of these risks, it is proposed that an additional £10.000m investment is included within the Flexibility budget over the next four years.
- 2.24 The current approved Capital Investment Programme to 2030/31 is attached at appendix 1. Full details of the proposed changes to the programme following the refresh, as outlined above, are included in appendix 2. The revised Capital Investment Programme covering the period from 2022/23 to 2030/31 is included in appendix 3. This will deliver a total programme of investment of £409.642m.

Revenue Implications

- 2.25 The revenue implications of both the individual projects included within the draft Programme and the additional borrowing costs associated with the overall draft Programme have been incorporated within the Medium Term Financial Plan 2022/23 to 2024/25. Any further revenue implications associated with those projects which are still to be finalised will be reported once the detailed business cases have been finalised.

Treasury Management and Investment Strategy (TMIS)

- 2.26 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.

Capital Investment Strategy

- 2.27 In addition to the TMIS there is also a requirement for the Council to publish a Capital Investment Strategy (CIS) which provides the overarching framework under which the draft Capital Investment Programme has been developed. The current CIS was approved by Council on 4 March 2021. During 2021/22 this has been refreshed with the revised CIS included at Appendix 4.

Conclusion

- 2.28 The refreshed Capital Investment Programme 2022/23 to 2030/31, including proposed funding, is attached at Appendix 3. This confirms total investment of £409.642m over the period and recognises a significant level of construction cost volatility. The proposed investment aligns with the Council's key priorities, as set out in the Council Plan 2019-2024, core asset management plans and the refreshed Capital Investment Strategy, included at Appendix 4. Key aspects of this investment will support an economic and green recovery and create employment opportunities through a Community Wealth Building approach.
- 2.29 The programme is affordable based on the estimated funding streams set out in the 2022/23 to 2024/25 Medium Term Financial Plan and the Long Term Financial Outlook 2021/22 to 2030/31 considered at Council on 16 December 2020. The affordability of the Programme is highlighted in the Treasury Management and Investment Strategy reported elsewhere on the Agenda and a review of the longer term affordability of the programme will be reviewed as part of the next major review of the capital programme during 2023/24.

3. Proposals

- 3.1 It is proposed that Council :
- (a) approves the refreshed Capital Investment Programme to 2030/31 included in appendix 3;
 - (b) notes that the programme will be reviewed on an on-going basis with the next major review in 2023/24; and
 - (c) approves the refreshed Capital Investment Strategy included in appendix 4.

4. Implications/Socio-economic Duty

Financial

- 4.1 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 are kept under review.

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 Capital Fund and the Prudential Investment Fund to smooth the revenue implications across the life of the plan.

Due to the long term nature of the borrowing required to support this programme, a review of available financing budgets will require to be undertaken with a view to increasing the available funding to maintain the future affordability of the current and future capital programmes.

Human Resources

4.2 Through investment in the Capital Investment Programme it is anticipated there will be additional staffing requirements. This will be considered on a programme and project basis.

Legal

4.3 None.

Equality/Socio-economic

4.4 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.

Environmental and Sustainability

4.5 All projects within the revised plan will be delivered to minimise the impact on the environment and maximise sustainability. Further, specific projects within the plan will have a positive environmental impact, in particular, through a number of sustainability projects.

Key Priorities

4.6 The refreshed Capital Investment Programme 2022/23 to 2030/31 supports the delivery of the outcomes as outlined in the Council Plan 2019-2024.

Community Wealth Building

4.7 The Council will aim to maximise opportunities within the context of the 5 pillars of Community Wealth Building from its investment programme. In particular, Ayrshire Growth Deal and growth and investment projects will make a positive contribution to economic regeneration across the region.

5. Consultation

5.1 Executive Directors have been consulted as part of the review the current capital investment programme and the identification of the proposed revisions and additions to the programme detailed in this report. In addition, a number of specialist technical assessments have been undertaken reflecting the current level of construction cost volatility.

Mark Boyd
Head of Service (Finance)

For further information please contact **David Forbes, Senior Manager (Strategic Business Partner)**, on **01294 324551**.

Background Papers

Capital Investment Programme 2021/22 to 2030/31 – North Ayrshire Council 4 March 2021

North Ayrshire Council											
Approved Capital Programme 2022/23 - 2030/31 (BASE)											
Project Description		22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	Total
	Category	£	£	£	£	£	£	£	£	£	£
EXPENDITURE											
Communities											
Moorpark Primary	Specific Project	4,286,175									4,286,175
Montgomerie Park School	Specific Project	8,311,063	5,480,909								13,791,972
Schools ICT Investment	Specific Project	752,000	752,000	752,000	752,000	752,000	752,000	752,000	752,000	752,000	6,768,000
Ardrossan New Build	Specific Project	12,745,000	31,278,934	18,547,775	1,070,000						63,641,709
Sub Total		26,094,238	37,511,843	19,299,775	1,822,000	752,000	752,000	752,000	752,000	752,000	88,487,856
Chief Executive											
ICT Investment Fund	Specific Project	481,000	255,000	288,400	282,600	702,600	297,600	282,600	282,600	297,600	3,170,000
WAN	Specific Project						500,000				500,000
LAN/WiFi	Specific Project						1,500,000				1,500,000
Telephony	Specific Project						650,000				650,000
Growth & Investment											
AGD - i3 Digilab Phase 1	External Funding	500,000	400,000								900,000
AGD - i3 Digilab Phase 2	External Funding		2,100,000	2,000,000	900,000						5,000,000
AGD - i3 Flexible Business Space	External Funding	1,500,000	2,000,000	2,000,000	2,000,000	1,500,000	1,500,000	1,500,000	1,500,000		13,500,000
AGD - Hunterston - Centre for Low Carbon Energy & Circular Economy	External Funding				1,400,000	4,000,000	5,000,000	4,000,000	2,500,000		16,900,000
AGD - Irvine Harbourside Ardeer (The Great Harbour)	External Funding	3,000,000	3,250,000	3,500,000	1,500,000	1,000,000	500,000				12,750,000
AGD - Ardrossan (IMSE)	External Funding							226,450	750,000	2,000,000	2,976,450
AGD - Marine Tourism	External Funding	2,750,000	1,500,000	500,000			1,000,000	1,500,000	1,500,000		8,750,000
Ardrossan Harbour & Landside	Specific Project	2,085,000	1,390,000								3,475,000
Low Carbon Hub	Specific Project	609,105									609,105
Sub Total		10,925,105	10,895,000	8,288,400	6,082,600	7,202,600	10,947,600	7,509,050	6,532,600	2,297,600	70,680,555
Health & Social Care Partnership											
Community Alarms - Analogue to Digital	Specific Project	330,000	333,000	333,000							996,000
Care First Replacement	Specific Project	50,000									50,000
Sub Total		380,000	333,000	333,000							1,046,000

North Ayrshire Council											
Proposed Changes to Capital Programme 2022/23 - 2030/31											
Project Description		Changes 22/23 £	Changes 23/24 £	Changes 24/25 £	Changes 25/26 £	Changes 26/27 £	Changes 27/28 £	Changes 28/29 £	Changes 29/30 £	Changes 30/31 £	Total £
Sub Total		21,196,886	9,187,469	15,884,160	(1,292,076)	(702,000)	(702,000)	(202,000)	(202,000)	(302,000)	42,866,439
Other											
Flexibility / Infrastructure Fund	Specific Project	2,500,000	2,500,000	2,500,000	2,500,000					422,146	10,422,146
Sub Total		2,500,000	2,500,000	2,500,000	2,500,000					422,146	10,422,146
TOTAL EXPENDITURE		57,710,836	13,972,982	33,143,238	14,771,463	3,464,050	(64,741)	(3,938,450)	(3,067,496)	(1,879,854)	114,112,028
		Changes 22/23 £	Changes 23/24 £	Changes 24/25 £	Changes 25/26 £	Changes 26/27 £	Changes 27/28 £	Changes 28/29 £	Changes 29/30 £	Changes 30/31 £	Total £
INCOME											
Prudential Borrowing		56,718,576	5,024,095	6,471,524	4,692,011	1,365,916	1,080,471	(285,660)	(245,955)		74,820,978
Specific Grants - AGD		(3,587,449)	639,489	9,543,236	10,453,452	2,472,134	(1,121,212)	(3,628,790)	(2,797,541)	(1,855,854)	10,117,465
Specific Grants - Early Learning & Childcare		464,253									464,253
Specific Grants - Cycling, Walking & Safer Streets		521,122	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	505,122
Specific Grants - Vacant & Derelict Funding		3,710,375									3,710,375
Specific Grants - Place Based Investment Programme		706,000									706,000
Specific Grants - Bridges Infrastructure		567,000									567,000
Specific Grants - B714 Improvements		857,907	8,305,898	14,332,478							23,496,283
Specific Grants - Flooding		(6,568,000)									(6,568,000)
General Capital Grant		(22,000)	(22,000)	(22,000)	(22,000)	(22,000)	(22,000)	(22,000)	(22,000)	(22,000)	(198,000)
CFCR		600,000									600,000
Investment Fund		3,218,975									3,218,975
Renewal & Recovery				2,370,000							2,370,000
Grants & Contributions		666,577		800,000							1,466,577
Sale of land & buildings		(142,500)	27,500	(350,000)	(350,000)	(350,000)					(1,165,000)
TOTAL INCOME		57,710,836	13,972,982	33,143,238	14,771,463	3,464,050	(64,741)	(3,938,450)	(3,067,496)	(1,879,854)	114,112,028

North Ayrshire Council											
Revised Capital Programme 2022/23 - 2030/31											
Project Description		Revised 22/23	Revised 23/24	Revised 24/25	Revised 25/26	Revised 26/27	Revised 27/28	Revised 28/29	Revised 29/30	Revised 30/31	Total £
EXPENDITURE	Category										
Communities											
Marress House	External Funding	943,019									943,019
Lamlash Early Years	External Funding	14,818									14,818
Pirnmill Early Years	External Funding	50,368									50,368
Shiskine Early Years	External Funding	33,420									33,420
Corrie Early Years	External Funding	37,161									37,161
Kilmory Early Years	External Funding	28,486									28,486
Brodick Early Years	External Funding	300,000									300,000
Moorpark Primary	Specific Project	5,858,462									5,858,462
Montgomerie Park School	Specific Project	9,039,979	5,058,458								14,098,437
Universal Free School Meals Expansion	Specific Project	9,229,000	1,128,000								10,357,000
Schools ICT Investment	Specific Project	752,000	752,000	752,000	752,000	752,000	752,000	752,000	752,000	752,000	6,768,000
Kilwinning Estate Learning Env't	Specific Project	199,651									199,651
Ayrshire College Development	Specific Project	200,000									200,000
Ardrossan New Build	Specific Project	11,915,117	36,078,934	21,347,775	1,270,000						70,611,826
Abbey Tower	Specific Project	70,900									70,900
Sub Total		38,672,381	43,017,392	22,099,775	2,022,000	752,000	752,000	752,000	752,000	752,000	109,571,548
Chief Executive											
ICT Investment Fund	Specific Project	608,384	255,000	288,400	282,600	702,600	297,600	282,600	282,600	297,600	3,297,384
WAN	Specific Project	40,000					500,000				540,000
LAN/WiFi	Specific Project	790,000					1,500,000				2,290,000
Telephony	Specific Project	230,000					650,000				880,000
Growth & Investment											
AGD - i3 Digilab Phase 1	External Funding	494,551	250,000	250,000							994,551
AGD - i3 Digilab Phase 2	External Funding	424,449	1,000,000	2,897,000	499,450						4,820,899
AGD - i3 Flexible Business Space	External Funding	1,550,000	2,319,964	2,946,078	3,506,500	2,305,000	1,873,500	90,000			14,591,042
AGD - Hunterston - Centre for Low Carbon Energy & Circular Economy	External Funding	230,000	200,000	338,000	3,400,000	3,400,000	3,400,000	3,400,000	3,384,504		17,752,504
AGD - Irvine Harbourside Ardeer (The Great Harbour)	External Funding	900,000	2,050,000	6,578,000	4,170,784						13,698,784
AGD - Ardrossan (IMSE)	External Funding	174,000	250,000	250,000	3,200,000	3,250,000	3,252,759				10,376,759
AGD - Marine Tourism	External Funding	500,050	600,000	4,700,000	3,592,150	1,711,050	111,000				11,214,250
Ardrossan Harbour & Landside	Specific Project	100,000	750,000	2,000,000	794,655						3,644,655
Irvine Enterprise Area	Specific Project	103,079									103,079
Low Carbon Hub	Specific Project	1,772,087									1,772,087
Ardrossan North Shore	External Funding	24,193,368									24,193,368
VDLF - Harbour Masters Office	External Funding	90,147									90,147
VDLF - I3 Irvine Enterprise	External Funding	49,262									49,262
Sub Total		32,249,377	7,674,964	20,247,478	19,446,139	11,368,650	11,584,859	3,772,600	3,667,104	297,600	110,308,771
Health & Social Care Partnership											
Community Alarms - Analogue to Digital	Specific Project	330,000	333,000	333,000							996,000
Care First Replacement	Specific Project	161,535									161,535
Sub Total		491,535	333,000	333,000							1,157,535

North Ayrshire Council											
Revised Capital Programme 2022/23 - 2030/31											
Project Description		Revised 22/23	Revised 23/24	Revised 24/25	Revised 25/26	Revised 26/27	Revised 27/28	Revised 28/29	Revised 29/30	Revised 30/31	Total £
VDLF - Annickbank Ph 3	External Funding	956,755									956,755
VDLF - Dalry Rd Saltcoats	External Funding	1,985									1,985
Cycling / Walker / Safer Streets	External Funding	1,089,015	588,000	588,000	588,000	588,000	588,000	588,000	588,000	588,000	5,793,015
Access Paths Network Programme	Specific Project	450,673	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	850,673
Sub Total		50,238,975	35,736,703	30,289,189	9,816,162	10,599,019	10,598,000	9,848,000	9,988,000	9,898,000	177,012,048
Other											
Flexibility / Infrastructure Fund	Specific Project	2,500,000	2,500,000	2,500,000	2,500,000		62,125			1,530,400	11,592,525
Sub Total		2,500,000	2,500,000	2,500,000	2,500,000		62,125			1,530,400	11,592,525
TOTAL EXPENDITURE		124,152,268	89,262,059	75,469,442	33,784,301	22,719,669	22,996,984	14,372,600	14,407,104	12,478,000	409,642,427
		Revised 22/23	Revised 23/24	Revised 24/25	Revised 25/26	Revised 26/27	Revised 27/28	Revised 28/29	Revised 29/30	Revised 30/31	Total £
INCOME					£	£	£	£	£	£	£
Prudential Borrowing		94,515,334	53,738,487	30,473,297	9,172,567	3,513,381	5,705,471	513,600	629,600		198,261,737
Specific Grants - AGD		2,040,120	6,177,174	14,001,667	14,218,734	8,813,288	6,898,513	3,466,000	3,384,504		59,000,000
Specific Grants - Early Learning & Childcare		464,253									464,253
Specific Grants - Cycling, Walking & Safer Streets		1,111,122	588,000	588,000	588,000	588,000	588,000	588,000	588,000	588,000	5,815,122
Specific Grants - Vacant & Derelict Funding		3,710,375									3,710,375
Specific Grants - Place Based Investment Programme		706,000									706,000
Specific Grants - Bridges Infrastructure		567,000									567,000
Specific Grants - B714 Improvements		857,907	8,305,898	14,332,478							23,496,283
Specific Grants - Flooding		2,778,000	10,295,000	3,099,000							16,172,000
General Capital Grant		9,805,000	9,805,000	9,805,000	9,805,000	9,805,000	9,805,000	9,805,000	9,805,000	9,805,000	88,245,000
CFCR		600,000									600,000
Investment Fund		4,718,975									4,718,975
Renewal & Recovery				2,370,000							2,370,000
Grants & Contributions		1,925,682		800,000							2,725,682
Sale of land & buildings		312,500	352,500							2,085,000	2,750,000
Sale of vehicles		40,000									40,000
TOTAL INCOME		124,152,268	89,262,059	75,469,442	33,784,301	22,719,669	22,996,984	14,372,600	14,407,104	12,478,000	409,642,427



North Ayrshire Council
Comhairle Siorrachd Àir a Tuath

Capital Investment Strategy 2022- 31

Introduction

The Capital Investment Strategy for North Ayrshire Council provides an overview of how capital expenditure plans, capital financing and treasury management activity contribute to the infrastructure and provision of services for the benefit of North Ayrshire communities and citizens. This refreshed strategy takes a long-term view and covers the period from 2022 to 2031. This is aligned to the Capital Investment Programme.

The Capital Investment Strategy is a reporting requirement of the CIPFA Prudential Code. Local authorities produce many plans and strategies in the course of their operations, however, it is recognised that within the context of capital planning, there is a need to produce an overarching view that addresses the following key considerations: -

- Ensuring that capital plans are aligned to the strategic priorities as set out in the Council Plan.
- Ensuring that capital plans are affordable, prudent and sustainable.
- Demonstrating the linkage to local strategic planning and local asset management planning.
- Ensuring that financing decisions are taken in accordance with good professional practice and a full understanding of the risks involved.
- Demonstrating the Council has robust governance arrangements to support its capital planning activities

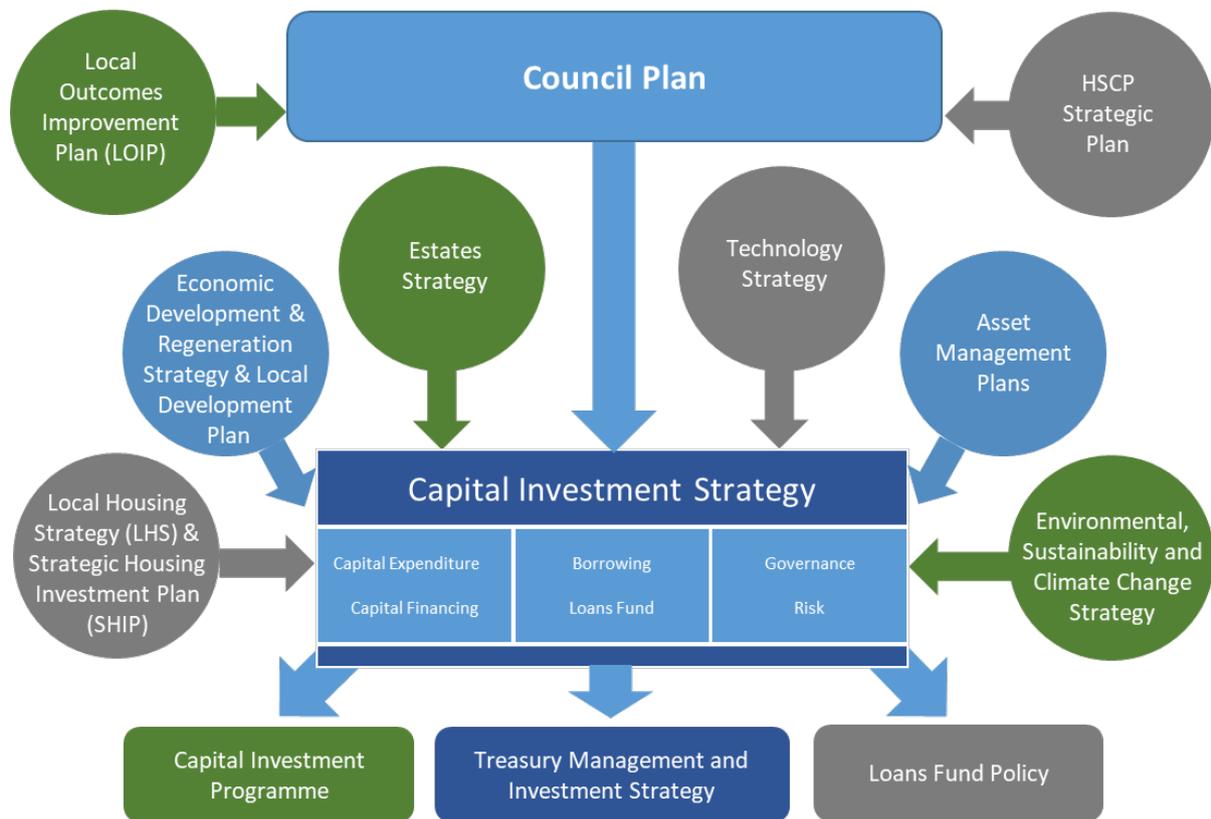
In December 2021 CIPFA published a revised Prudential Code and a revised Treasury management Code. It should be noted that the 2021 Prudential Code applies with immediate effect. However, Councils may defer introducing the revised reporting requirements until the 2023/24 financial year if they wish. Due to the timing of these publications and their associated guidance, this Strategy has been developed in compliance with the 2017 versions of the codes.

Background

North Ayrshire Council has ambitious plans to deliver significant capital investment over the planning period across housing, schools, economic development and infrastructure. Working in partnership with East Ayrshire, South Ayrshire, the UK and Scottish Government, the Ayrshire Growth deal will see the regeneration of the region through investment in strategic infrastructure across various sectors, including life sciences, tourism, manufacturing and aerospace.

Events in 2020 and 2021 have been dominated by the health and economic effects of the coronavirus pandemic. The level of capital investment has and continues to be impacted by restrictions. It is recognised that capital investment will play a key role in the economic and green recovery for North Ayrshire. The pandemic has not changed the Council's key priorities, in fact it has strengthened them. However, the investment reflected in the Capital Investment programme should also be considered with the context of the Council's Recovery and Renewal Strategy and the Economic Recovery and Renewal Approach, both approved by Cabinet on 8 September 2020, and, importantly, through a Community Wealth Building lens.

The Capital Investment Strategy takes account of the Council's strategic priorities and considers any new investment within the context of outcomes, affordability or invest to save. Decisions made over the course of the programme for capital and treasury management will have financial consequences for the Council for many years in the future. There is also recognition of the need to balance investment between maintaining current assets and infrastructure against the ambitions for acquiring new assets. In addition to the Recovery and Renewal Strategy and Economic Recovery and Renewal Approach, North Ayrshire Council's Capital Investment Programme is shaped and influenced by various associated strategies and plans.



The primary purpose of the Capital Investment Strategy is to provide an overarching view of how various plans and strategies inform capital investment and to demonstrate that this is both affordable and sustainable. The associated plans and strategies each focus on specific priority areas and, through appropriate governance structures, ultimately shape and influence the investment plans delivered through the Capital Investment Programme. Underpinning the Capital Investment Programme is the Treasury Management and Investment Strategy and Loans Fund Policy. Both ultimately consider the delivery of the capital programme within the context of affordability and risk and apply a measurement of what this means against key prudential and treasury indicators. The aim being to demonstrate affordability and sustainability over the long term.

Plans and Strategies

Council Plan 2019-2024

The mission for North Ayrshire Council is **“Working together to improve well-being, prosperity and equity in North Ayrshire.”** To deliver on this mission key strategic priorities, outlined below, have been developed to direct plans now and into the future.

Our Priorities

Aspiring Communities

- ▶ Active and strong communities
- ▶ Children and young people experience the best start in life
- ▶ Inclusive, growing and enterprising local economy
- ▶ Residents and communities enjoy good life-long health and well-being
- ▶ Residents and communities are safe

Inspiring Place

- ▶ Well connected with effective infrastructure
- ▶ Homes that meet residents' needs
- ▶ Vibrant, welcoming and attractive environment
- ▶ A sustainable environment

A Council for the Future

- ▶ An accessible Council that puts residents and communities at the heart of what we do
- ▶ An efficient Council that maximises resources and provides value for money
- ▶ A valued workforce that delivers high quality services
- ▶ A powerful and respected voice

Our Vision

A North Ayrshire
that is 'Fair For All'

Our Mission

Working together to
improve well-being,
prosperity and
equality in
North Ayrshire

Through appropriate governance frameworks all capital investment must demonstrate that it is aligned to the Council's strategic themes, with particular focus and priority given to capital investment opportunities that meet multiple strategic priorities.

Community Planning Partnerships and Local Outcomes Improvement Plan

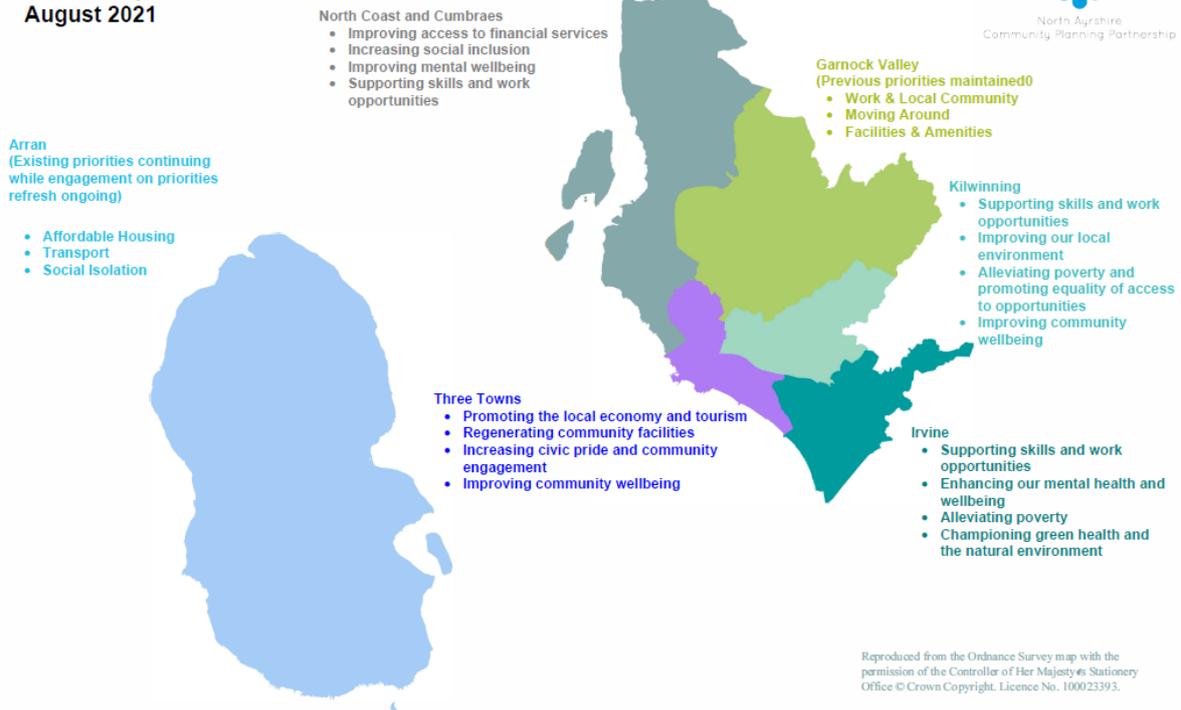
The North Ayrshire Community Planning Partnership is a partnership across a wide range of organisations. The **Local Outcomes Improvement Plan (LOIP) 2017 – 2022** replaced the Single Outcome Agreement and provides a commitment by all partners to North Ayrshire communities and citizens across four main priority areas:



Work is ongoing to produce a plan for the period 2022-2030 and will be implemented from Spring 2022. The forthcoming plan will reflect the impact made to date and take into consideration the learning from joint action undertaken during the pandemic.

The Community Planning Partnership consists of 6 Locality Partnerships across North Ayrshire. Key to the success of the LOIP is working in partnership with a number of agencies to deliver better outcomes for citizens and communities. The partnership includes Scottish Government, Police Scotland, NHS Ayrshire and Arran, Skills Development Scotland, KA Leisure, Scottish Fire and Rescue and Scottish Enterprise. Through the Local Development Plan, one of the strategic policies is to deliver on local community priorities. Each Locality Partnership has developed their own local priorities:

North Ayrshire Locality Partnership Priorities August 2021



This framework of community engagement and structured partnership working is vital when planning capital investment. More importantly, that local priorities are considered as part of any strategic planning framework.

Health and Social Care Partnership Strategic Plan

The Health & Social Care Partnership developed a one year bridging strategic commissioning plan for the period 2021-2022 which builds on the NAHSCP Strategic Plan 2018-21. This plan reflects on the partnership's achievements, Covid 19 experience and the impact on services. It also outlines the partnerships approach to recovery and learning.

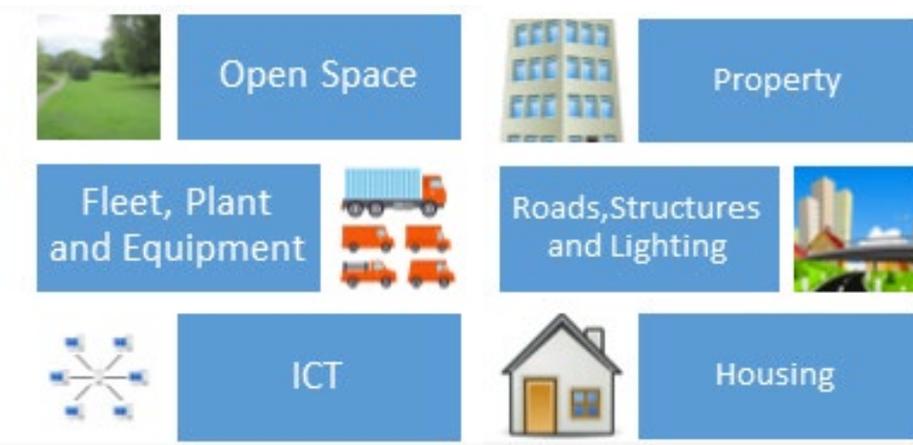
Development work is ongoing to prepare a new long term strategic plan covering the period April 2022 to March 2030.

The one year bridging plan has been informed by public feedback. The bridging plan continues the existing vision that **“all people who live in North Ayrshire are able to have a safe, healthy and active life”** and to achieve this the HSCP focuses on key priorities:



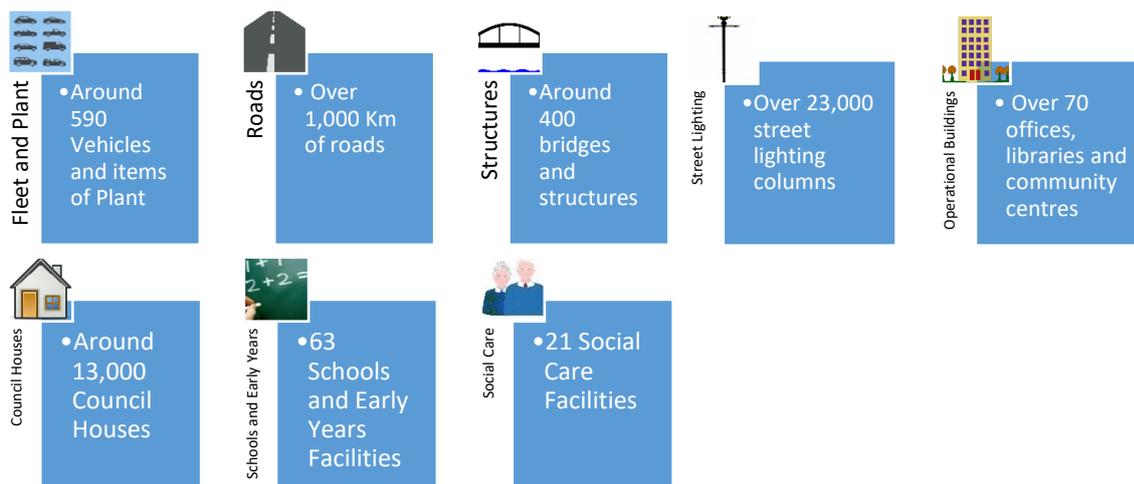
Asset Management Plans

Asset Management Plans aim to ensure that the Council holds the right assets and that they are fit for purpose in terms of condition, suitability and accessibility. The plans also provide the vehicle for identifying future investment needs across all asset classes. In line with the CIPFA “Guide to Asset Management and Capital Planning in Local Authorities” North Ayrshire has classified its assets into six categories:



The Council’s assets play a key role in the delivery of a wide range of essential services to our local communities, contribute to regeneration and help drive economic growth. The plans set out clear actions and include details of lifecycle investment costs required to maintain assets and infrastructure to an appropriate standard that supports service delivery. The plans are updated on an annual basis and chief officers across all Directorates hold the responsibility for maintaining the plans and reporting progress to the Council’s Cabinet on a bi-annual basis.

A snapshot of the asset portfolio for North Ayrshire Council includes:



Both capital and revenue financial resources across the General Fund and Housing Revenue Account are used to maintain the current asset base. From a capital perspective, planned investment which has been incorporated in the current Capital Investment Programme includes:

Roads, Structures and Lighting

- Planned investment of **£117.6m** to 2030/31 including improvements to the roads and street lighting network, flood prevention works at Upper Garnock and Millport and bridges infrastructure improvement.

Fleet, Plant and Equipment

- Procurement and maintenance of all Council fleet vehicles and plant ensuring the fleet of 586 vehicles and heavy plant are maintained and operated in accordance with the Council's Operator's licences and Road Transport legislation. Vehicle and plant capital investment is planned at **£19.9m** to 2030/31.

Property

- To ensure Council properties meet all legislative requirements and they are sustainable, energy efficient and maintained to a high standard as well as ensuring the physical environment is able to support mobile and flexible work programmes, Investment is planned at **£23.2m** to 2030/31. It is also recognised that through the Estates Strategy further rationalisation and remodelling will continue to be progressed on a locality by locality basis, with capital receipts incorporated into the capital programme.

Housing

- Underpinned by the Local Housing Strategy, the Strategic Housing Investment Plan and the 30 Year HRA Business Plan, responsibility for maintenance of around 13,000 council houses, ensuring legislative compliance and meeting the needs of tenants. In addition, delivery of an ambitious house building and improvement programme over the period 2022-2027 will see capital investment by the Council total **£296.5m**.

ICT

- The Technology Strategy sets out how ICT supports service delivery and transformation. Significant changes to our ICT infrastructure have been reflected in the ICT Asset Management Plan. To deliver on the 6 key principles as outlined in the Technology Strategy **£7.0m** investment to 2030/31 is planned.

Open Spaces

- The service maintains 2,410 hectares of public open space, a Country Park, 14 local parks, 44 cemeteries and burial grounds, 37 war memorials & monuments, 366 hectares of woodlands, 3 allotments, 91 sports facilities and playing fields, 84 equipped play areas and 12 multi-use games areas, residential greenspace, 38 water courses and open water features, 5 promenades and 16 beaches, three of which are Sites of Special Scientific Interest. The majority of investment is delivered through the Place service revenue budget, however, specific capital investment of **£4.6m** is planned to 2030/31 for cemetery infrastructure.

Local Housing Strategy 2018-22 and Strategic Housing Investment Plan 2022-27

The key strategic outcomes for the Local Housing Strategy for North Ayrshire include ensuring the supply of housing meets the needs and aspirations of local people that they live in good quality homes which are located in strong, safe communities. The Strategic Housing Investment Plan (SHIP) sets out the priorities for affordable housing investment in North Ayrshire over the next five years:

Health and Educational Benefits

Contribute to Regeneration of North Ayrshire

Sustainable Investment

Meet Local Demand and Aspirations

Maximise ROI and achieve VFM

Involve the local community

The SHIP will secure investment in a total of 1,900 properties across North Ayrshire and provide sustainable, affordable, accessible high-quality homes which will contribute to the wider regeneration aims for the area, taking the total investment for the period to £102m. Developments continue to be progressed across the five main housing market areas:

- Arran
- Garnock Valley
- Irvine / Kilwinning
- North Coast (Incorporating Cumbrae)
- Three Towns

In addressing projected demographic trends of an ageing population in North Ayrshire, the Local Housing Strategy sets a target of approximately 25% of new build homes being suitable for older people through amenity housing or sheltered housing with cognisance taken in the design stage for changing mobility needs. The SHIP supports the Health and Social Care Partnership to meet specialist housing need through dedicated supported accommodation projects.

The Council also recognises that bringing former social housing stock back into social ownership can assist with housing management and maintenance issues and increase the housing available. As such, a second hand and empty homes buy-back programme has been incorporated into the SHIP.

Making sustainable investment in housing is a key priority within the SHIP and this is achieved by incorporating energy efficiency measures and renewable technologies within the new build programme. The developments benefit from a range of sustainable measures including low carbon heat, solar photovoltaic panels and smart technologies. This investment aligns to the Council's Environmental, Sustainability and Climate Change Strategy in supporting affordable warmth to households across North Ayrshire.

The regeneration of North Ayrshire communities is a strategic priority within the Council Plan and the SHIP. The Scottish Index of Multiple Deprivation shows that 52 of North Ayrshire's 186 data zones are in the 15% most deprived areas in Scotland. Through housing led regeneration and the provision of high-quality homes, desirable communities are created where people want to live and which in turn can also attract private sector investment. The demolition of the Fullarton tower blocks in Irvine will see the replacement of all 275 of these homes within the Irvine locality.

Furthermore, the Council has approved a £10m estate-based regeneration programme to invest in the improvement of our existing housing estates. The SHIP includes the provision of funding for 200 units to assist the delivery and funding of the regeneration programme.

Economic Development & Regeneration Strategy and Local Development Plan

The Economic Development and Regeneration Strategy has been produced in partnership with the Economic Development and Regeneration Board (EDR Board), consisting of council representation and membership from the public, private sector and third sector. The Strategy sets out the ambitious mission for North Ayrshire to create the most improved economy in Scotland by the year 2025.

Through Investment, Innovation and Internalisation the strategy aims to deliver Inclusive growth for North Ayrshire, focusing on six key strategic objectives:

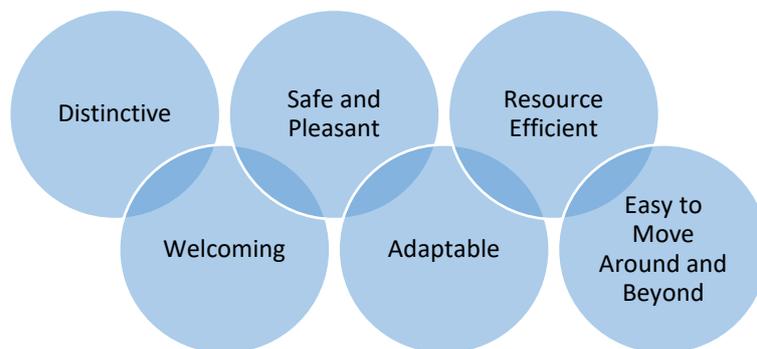


The Local Development Plan was adopted in November 2019 and aligns to the six strategic objectives as set out in the Economic Development and Regeneration Strategy, it brings a targeted local context in guiding development and investment in North Ayrshire over the next 20 years. The focus is supporting and growing the business base across key sectors including manufacturing, engineering, life sciences, tourism and hospitality and regenerating towns and communities. The overarching aim of the plan is to deliver the Community Planning Partnership vision of a “Better Life” to the citizens and communities of North Ayrshire. The plan outlines the land use strategy that supports delivery of the Local Outcomes Improvement Plan 2017 – 2022 and focuses on four key strategic policies:



The Spatial Strategy is an overarching policy for supporting the LOIP. This directs development to towns and villages to support communities, the economy and environment, while recognising the value that the countryside and coastal areas offer both as natural resources worthy of protection and as an economic driver. An example of directing investment to towns is evidenced by the Montgomerie Park development with Council investment in road and service infrastructure to facilitate large scale housing development and regeneration and using capital receipts from land sale as a key source of funding.

The Placemaking policy addresses the LOIP priority to make North Ayrshire safer and healthier by ensuring that all development contributes to making quality places. This is measured by six qualities that define a successful place:



Through the Local Development Plan eight strategic development areas have been identified:

Hunterston	North Shire - Ardrossan	i3 - Irvine	Montgomerie Park, Irvine
Klbernie	Irvine Harbourside	Brodick Harbourside	Cumbrae-Millport

Working in partnership with the UK and Scottish Government and East Ayrshire and South Ayrshire councils, the Ayrshire Growth Deal will regenerate the region through investment in strategic infrastructure across various sectors, including life sciences, tourism, manufacturing and aerospace, with total investment of over £251.5m. From a North Ayrshire perspective and to support investment into the strategic development areas, including the Ayrshire Growth Deal and wider economic regeneration activity, the Capital Investment Programme to 2030/31 includes planned investment of £114.9m to 2030/31. It is recognised that the Ayrshire Growth Deal investment will extend beyond the current 10-year Capital Investment planning period.

Finally, our Community Wealth Building Strategy introduces a new model to develop resilient, inclusive local economies, with more local employment and a larger and more diverse business base, ensuring that wealth is locally owned and benefits local people. All capital and revenue investment will be considered within the context of the Community Wealth Building Strategy, with maximising opportunities for local suppliers through procurement a key priority and pillar of the strategy.

Technology Strategy

The Technology Strategy was approved by North Ayrshire Council in May 2018 and sets out the vision, principles and key technologies that will support transformational change across North Ayrshire Council. Solutions will be designed in partnership to improve processes, service delivery and collaboration and ultimately improve outcomes. The six key Technology Strategy principles are:

<p>Deliberately designed</p> <ul style="list-style-type: none"> • Holistic view of the business and design efficient, effective and agile solutions 	<p>People at the core</p> <ul style="list-style-type: none"> • Solutions built around the needs of customers and people 	<p>Anytime, anywhere access</p> <ul style="list-style-type: none"> • Access to systems, applications and information wherever they are 	<p>Cloud first</p> <ul style="list-style-type: none"> • Utilise cloud based technologies wherever possible 	<p>Data driven</p> <ul style="list-style-type: none"> • Utilise data to effectively inform our decision making 	<p>Secure</p> <ul style="list-style-type: none"> • Operate securely when taking advantage of technology innovations
---	---	--	--	--	---

Key technologies include Office 365, a cloud platform based approach to business application delivery and virtual desktop infrastructure (VDI). The ICT Asset Management Plan incorporates the technology principles and, in terms of investment, a total of £7m is planned to 2030/31 to deliver technology solutions aligned to this strategy. From a financial planning perspective it is also recognised the shift from capital financing to revenue through software as a service, will lead to a remodelling of the way in which ICT investment is funded.

Estates Strategy

The key objective of North Ayrshire Council's Estate Strategy is to achieve rationalisation and remodelling of the Council's property portfolio on a locality basis. This neighbourhood approach focuses across three main areas of property provision and aims to:

Service Hubs	• Provide fit-for-purpose and conveniently located service hubs that users can readily access.
Education and Leisure	• Provide fit-for-purpose and conveniently located education and leisure facilities for service users. Maximising any investment across multiple strategic priority areas through a community facilities approach incorporating education, leisure and health and social care facilities, therefore delivering wider economic regeneration benefits.
Office Accommodation	• Provide modern, flexible office accommodation for staff that is economically and environmentally efficient.

The Estates Strategy plays a key role in maximising capital investment across multiple strategic priority areas, e.g. moving away from the traditional like for like school replacements to incorporating wider community campus facilities, including leisure and health and social care facilities. This approach was evidenced through the Largs campus facility which delivered primary, secondary and early years provision as well as community use sport, theatre and leisure facilities.

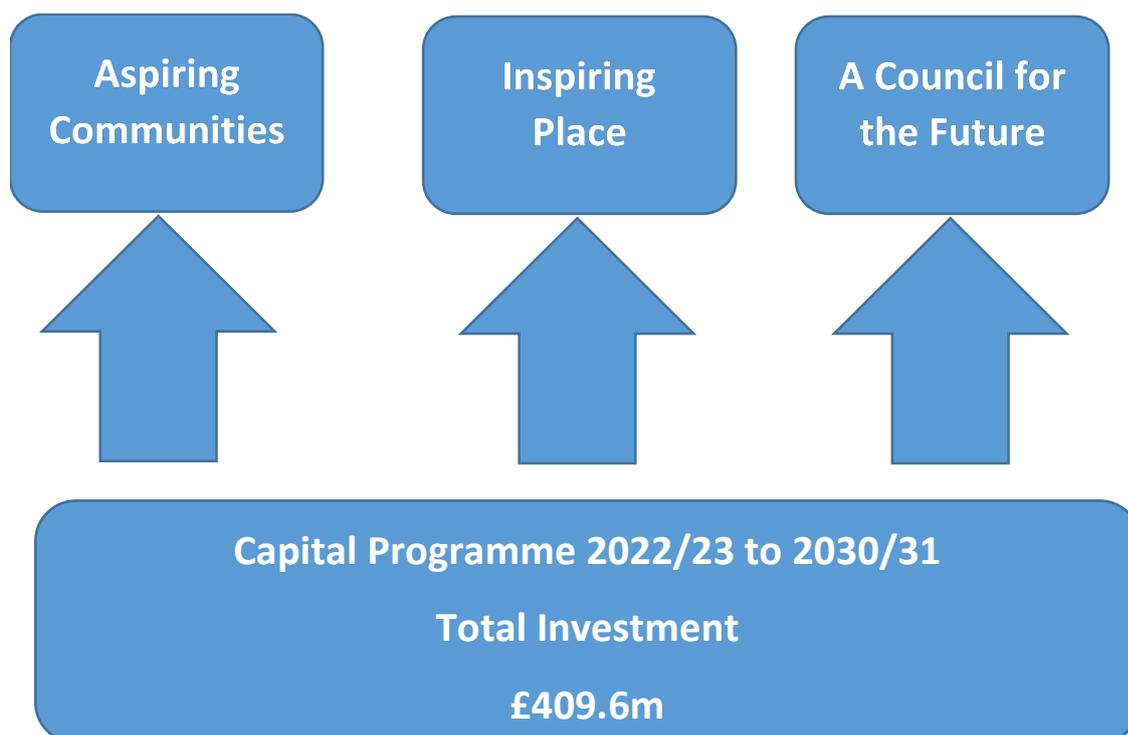
Through rationalisation of the Council's property portfolio, a key funding component to support the capital programme and provide flexibility in the Council's Revenue account, is the generation of capital receipts. Anticipated income from land and property capital receipts planned to support the capital programme totals £2.8m to 2030/31.

The neighbourhood approach outlined in the Estates Strategy also recognises community empowerment and, in particular, provides support to communities for asset transfers. This engagement is progressed through the Community Planning Partnerships.

General Fund Capital Investment Programme

North Ayrshire Council takes a long-term approach to capital investment, covering a 10-year period. The plan is updated annually and 2022/23 represents year 2 of the 10-year plan. A full refresh is undertaken every 3 years. The current Capital Investment programme is aligned to the strategic priorities as set out in the Council Plan and is the product of the various plans and strategies which impact on the assets and infrastructure of North Ayrshire Council. Through the Community Planning Partnerships and the Local Development Plan there is also clear linkage to local strategic planning and local asset planning.

Total capital investment of £409.6m from the Council's General Fund is planned over the period from 2022/23 to 2030/31, supporting the 3 key strategic priorities from the Council Plan. This includes planned expenditure of £73.4m towards the Ayrshire Growth Deal to 2030/31. It is recognised that the total level of investment across Ayrshire will be in the region of £251.5m (including £103m commitments from both the UK and Scottish Governments) and this will extend beyond the current 10-year planning period.



The capital plan includes £109.5m planned investment in education and early years.

The major areas of education investment include;

Universal School meals Expansion - £10.4m	Ardrossan Academy - £70.6m	Montgomerie Park school £14.1m	Moorpark Primary School £5.9m
<ul style="list-style-type: none">•Improvements to current kitchen and dining facilities across the school estate to create capacity for the anticipated uptake.	<ul style="list-style-type: none">•New build project as part of an exciting wider community facility development	<ul style="list-style-type: none">•New primary provision linked to Montgomerie park regeneration project and housing developments	<ul style="list-style-type: none">•New primary provision

Investment in education reflects the Council's desire to ensure children and young people have access to high quality facilities which support and promote excellent learning and teaching. Well designed and well-equipped buildings also support the promotion of positive health and well-being.

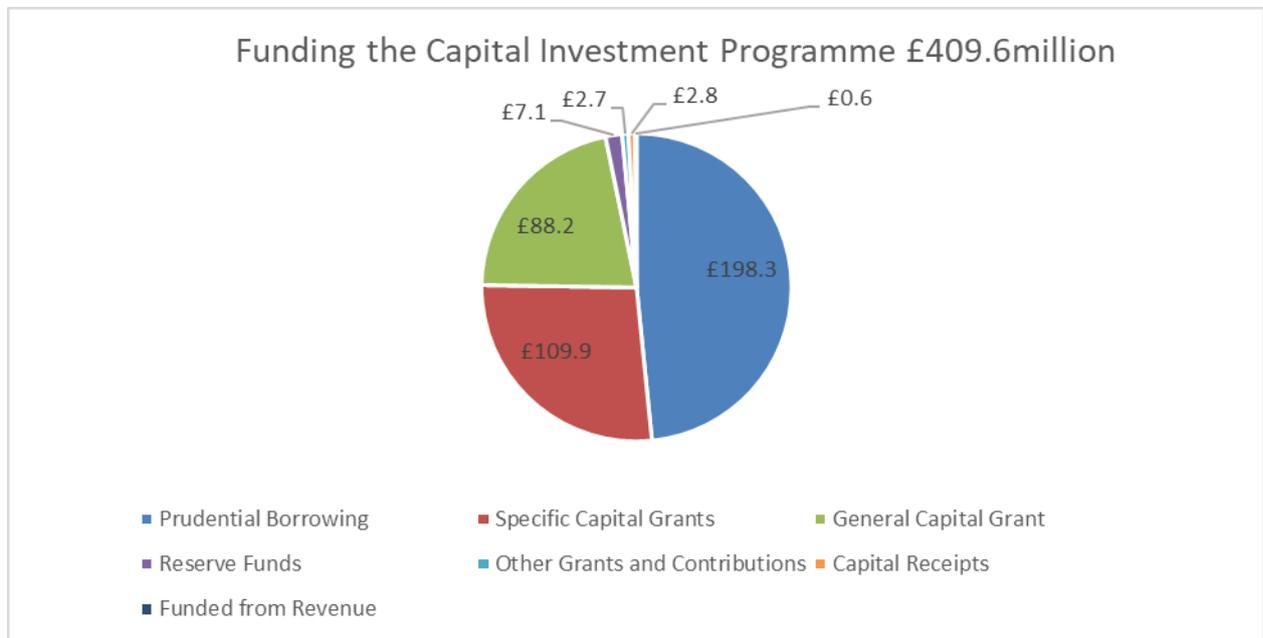
It is also recognised that investment in education contributes to and can be integrated within wider economic development and regeneration within the localities and this is reflected in the nature of the planned developments for Ardrossan Academy and Montgomerie Park school. Through stakeholder engagement, effective cross Directorate working within North Ayrshire Council and collaboration with other agencies including the Scottish Government, these new developments combine education provision with community facilities, residential, respite and housing provision as part of a wider focus on economic regeneration.

Investing in core assets and infrastructure is key to ensuring sustainability. A planned investment of £117.6m within Roads, Structures and Lighting includes £35.7m road improvements, £30.3m on flood prevention works and £25.9m on the upgrading of the B714 following a successful application to the UK Governments Levelling Up Fund. Property lifecycle investment of £10.5m, to support the property asset management plan, will ensure Council properties continue to be maintained to the appropriate standards in delivering services to citizens and communities. The plan includes investment in several key programmes of regeneration within North Ayrshire and, in respect of the Ayrshire Growth Deal, on a wider pan Ayrshire basis.

The Capital Investment Programme 2022/23 to 2030/31 sets out the ambition of North Ayrshire Council and supports the key strategic themes of the Council Plan. Through investment that supports regeneration and delivers first class education and community facilities, this strategic approach will help grow the population and the local economy. It is also recognised that key to a sustainable environment is the requirement to continue to invest in core assets and infrastructure.

Funding the Capital Investment Programme

Funding the Capital Investment Programme requires to be planned in an affordable and sustainable manner. The funding sources to support delivery of the £409.6m capital investment programme to 2030/31 include;



The major sources of funding include assumptions on the level of general capital grant from Scottish Government to 2030/31 (£88.2m) and the level of prudential borrowing (£198.3m) required. The cost of borrowing is included within the Council's revenue budget process through the Medium-Term Financial Plan and the impact of borrowing is included as part of the Council's Treasury Management and Investment Strategy.

The Council takes a prudent approach when phasing the capital investment over the period, with the main objective to ensure general capital grant from Scottish Government is maximised.

Other income sources are also explored including external income, grants, partner contributions and capital receipts. The balance of funding is met from affordable prudential borrowing. This approach helps to ensure that investment in assets to deliver on the Council's strategic priorities is sustainable in the long term.

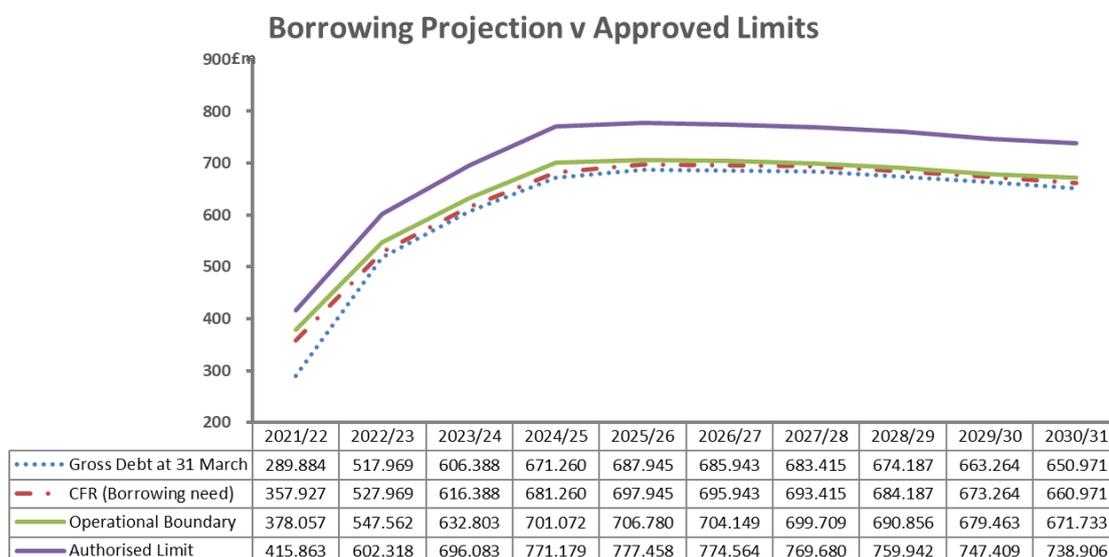
Treasury Management Strategy and Loans Fund Policy

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 supplement 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 over the medium to long term, with regular reporting to Council members through:

- Annual Treasury Management and Investment Strategy
- Mid-Year Treasury Update report
- Annual Report following the financial year end describing the activity compared to the strategy

The key prudential and treasury indicators include:

- Capital expenditure and financing
- The Council's overall borrowing need (the Capital Financing Requirement)
- Limits to borrowing activity through the Operational Boundary and the Authorised Limit.



As reflected in the Treasury Management Strategy for 2022/23, the analysis of the Capital Financing Requirement for North Ayrshire Council indicates that the borrowing needs to support delivery of the capital programme will increase to £697.945m at 2025/26 and then reduce annually to 2030/31. The analysis also indicates that this borrowing need continues to be within the parameters of both the Operational Boundary (the expected maximum borrowing position of the Council) and the Authorised limit (the limit beyond which external debt is prohibited).

Another key affordability indicator is the ratio of financing costs to net revenue stream. This indicator identifies the trend in the cost of capital (borrowing and other long-term liabilities, net of investment income) against the net revenue stream of the Council. The estimates of financing costs include current commitments and those arising from the capital programme. The Housing Revenue Account (HRA) costs are aligned with the 30-year business plan.

Proportion of financing costs to net revenue stream	2021/22 Probable Outturn %	2022/23 Estimate %	2023/24 Estimate %	2024/25 Estimate %
General Services	3.0%	3.7%	4.6%	5.1%
HRA	18.7%	21.7%	26.9%	30.2%

The estimated ratio of debt to net revenue stream across the next 3 years averages at 4.5% for General Services and 26.2% for the HRA. From a General Fund perspective, the Scottish Local Authority average 5.86% (Source: CIPFA Directors of Finance Performance Indicators 2020/21), therefore demonstrating a prudent borrowing policy. For the HRA, the Scottish average in was 21.62%. The rising ratio within the HRA is indicative of the significant capital investment programme as outlined in the Strategic Housing Investment Plan. The level of loan charges is deemed prudent and affordable within the framework of the 30 year Housing business plan.

Loans Fund Policy

In July 2016 the Scottish Government confirmed the new Loans Fund accounting arrangements under the provisions of the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016. This regulation requires the Council to outline its policy on the repayment of Loans Fund advances. The Loans Fund advance is effectively the repayment of the principal linked to the capital expenditure which is required to be funded from borrowing. The broad aim of prudent repayment is to ensure that the authority's unfinanced capital expenditure is financed over the expected life of the asset and that each year's repayment amount is reasonably commensurate with the period and pattern of the benefits.

From a governance perspective the Loans Fund policy of North Ayrshire Council is included as part of the Treasury Management and Investment Strategy and submitted for approval to the North Ayrshire Council committee on an annual basis.

Governance

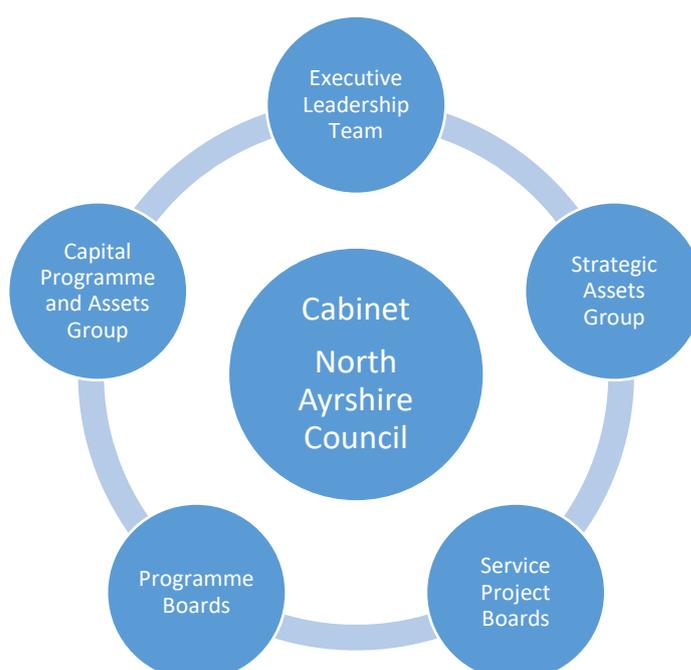
Having robust governance arrangements in place is key to ensuring effective strategic management of assets, from initial planning through to delivery, utilisation and disposal. North Ayrshire Council delivers a governance framework through a number of officer and member represented groups / committees.

To ensure a consistent approach is adopted when considering any new capital investment, a business case framework has been developed. The framework includes key criteria across:

- Aims and strategic objectives
- Scope and Benefits
- Options Appraisal,
- Risks, Constraints & Dependencies
- Procurement arrangements
- Monitoring of Key milestones
- Evaluation criteria & scoring
- Investment costs, funding and impact on revenue

All business cases are considered by the Capital Programme and Assets Group and the Executive Leadership Team, with a recommendation being made to Cabinet / Council, for inclusion of new projects into the Capital Investment Programme. A key focus when assessing potential capital investment is the alignment to the Council's strategic priorities, with the aim being to maximise opportunities where investment meets multiple strategic priorities and where there is the potential to lever in external funding.

The current governance framework is illustrated below:



The **Strategic Assets Group** provides a strategic focus on the Council's property assets. The key objective of the group is the effective utilisation of Council assets and to reduce the public sector's building footprint and deliver improved services from a smaller, more efficient and fit for purpose estate.

Service Project Boards are chaired by Executive Directors across each Directorate area with representation from relevant service managers. Following approval by North Ayrshire Council committee on the Capital Investment Programme, the Service Project Board is responsible for ensuring robust project management is in place to deliver projects on time and within budget.

Programme Boards provide a strategic focus at programme level and are chaired by the responsible Chief Officer. Each programme can include a number of individual projects across each Directorate which contribute to specific Council and programme objectives. To ensure the objectives are met the Chief Officer for the programme is responsible for strategic oversight including all projects that form part of the overall programme.

The Capital Programme and Assets Group is chaired by the Head of Service (Finance) and is responsible for:

- Ensuring a strategic and corporate overview of the Council's capital programme is in place.
- Developing and monitoring the Council's capital investment programme, tracking slippage on delivery and expenditure against approved budgets.
- Developing clear criteria for investment of Council resources on asset matters and assessing all investment business cases.
- Developing a prudent capital receipts programme for inclusion in the Council's Capital Programme.

The **Executive Leadership Team** consists of the Chief Executive, Executive Director Communities, Executive Director Place, Director of Growth and Investment, Head of Democratic Services, Head of People and ICT and Head of Finance and is responsible for advising members on the relative priorities of the Council's long term investment needs and plays a key monitoring role in ensuring the major capital projects deliver the anticipated benefits on time and within budget. The Executive Leadership Team also considers all business cases for new areas of capital investment as well as being the escalation point for any key strategic decisions across the Capital Investment Programme prior to consideration by Cabinet or Council.

Cabinet is chaired by the Leader of the Council and is the main decision-making body of the Council. It consists of member portfolio holders from the Administration. Cabinet receives regular progress reports and approves amendments to the Capital Investment Programme.

North Ayrshire Council consists of all elected members and is chaired by the Provost. The Council approves the corporate framework and the medium and longer term Capital Investment Programme.

Knowledge & Skills

North Ayrshire Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.

The Head of Finance is a qualified accountant and holds the position of Section 95 officer for the Council. The Council's Section 95 Officer is responsible for the proper administration of the Council's financial affairs and is required:

- to recommend treasury management policies / practices, review these regularly and monitor compliance;
- to submit regular treasury management updates;
- to receive and review management information;
- to review the performance of the treasury management function;
- to ensure the adequacy of treasury management resources and skills and the effective division of responsibilities within the treasury management function; and
- to approve the appointment of external service providers.

Where the Council does not have the knowledge and skills required, use is made of external advisers that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers to ensure that we have access to specialist knowledge and skills if required.

Decisions to invest in land and property are overseen in accordance with Council policies and the priorities from our Council plan, to capitalise on its position, power and influence to deliver tangible improvements to the lives of people in North Ayrshire. These decisions are made by suitably qualified personnel including architects and surveyors.

Risk

There are risks inherent across all capital planning and project delivery activity. Key planning risks are managed / mitigated through detailed business case development prior to any capital investment project getting approved. From a project delivery perspective, risk registers are maintained throughout the duration of the project and in accordance with standard project management practice. The long-term view to capital investment and the development of associated strategies also play a key role in risk management. Examples include:

- Development of a 10-year capital programme, considering funding and priorities in the long term
- Asset Management Plans and lifecycle maintenance which inform capital plans in the long term
- Treasury Management and Investment Strategy which considers borrowing levels in the long term.
- Local Housing Strategy and Strategic Housing Investment Plan takes a medium and long-term view of housing and regeneration priorities.

Conclusion

The Capital Investment Strategy for North Ayrshire Council provides an overview of how capital expenditure plans, capital financing and treasury management activity contribute to the infrastructure and provision of services for the benefit of North Ayrshire communities and citizens. It is a reporting requirement of the CIPFA Prudential Code.

The Strategy takes account of the Council's strategic priorities and considers any new investment within the context of outcomes and affordability. There is also recognition of the need to balance investment between maintaining current assets and infrastructure against the ambitions for acquiring new assets.

The current capital programme demonstrates an innovative approach in maximising investment across multiple strategic priority areas, with developments that incorporate education provision, community facilities, health and social care services and housing. This approach, whilst providing key services that deliver positive outcomes to communities, also contributes to the wider economic regeneration of North Ayrshire, helping to grow the population and the local economy.

Working in partnership with the UK and Scottish Government and East Ayrshire and South Ayrshire councils, the Ayrshire Growth Deal will regenerate the region through investment in strategic infrastructure across various sectors, including life sciences, tourism, manufacturing and aerospace, with total investment of over £251m.

Related Documents / Strategies / Plans

Council Plan
Local Development Plan
Asset Management Plans
Local Outcomes Improvement Plan
Local Housing Strategy
Strategic Housing Investment Plan
Technology Strategy
Estates Strategy
10 Year Capital Investment Programme
Economic Development and Regeneration Strategy
Treasury Management and Investment Strategy
Loans Fund Policy
HSCP Strategic Plan
Environmental, Sustainability & Climate Change Strategy