North Lanarkshire Council Report

Policy and Strategy Committee

Does this report require to be approved? ☒ Yes ☐ No

Ref AMcP / EK / GT **Date** 14/03/24

Strategic Capital Investment Programme 2024/25 to 2028/29

From Andrew McPherson, Depute Chief Executive

E-mail McPhersonA@northlan.gov.uk **Telephone** 07939 280467

Executive Summary

The purpose of this report is to inform Committee of the process and outcome of the development of the Council's Strategic Capital Investment Programme for the 5-year period from 2024/25 to 2028/29.

The report highlights record levels of capital investment of £660 million over the next five years as the Council continues the delivery of its long-term place shaping transformation of North Lanarkshire's towns and communities. Alongside record levels of investment in the Council's housing provision through the Housing Revenue Account, this represents potential investment of £1.465 billion in North Lanarkshire's town and communities.

The report will detail the forecast level of resources and expenditure over the 5-year period, explain the approach to prioritisation of the capital bids and highlight potential risks and opportunities that may impact on the strategic capital investment programme in future years.

Key highlights in the proposed investment programme include:

- £250 million to continue investment in the Town and Community Hub programme,
- City Deal investment of £91 million, including resources to progress the East Airdrie Link Road project,
- £39 million investment in the Council's Economic Regeneration Delivery Plan to support the ongoing transformation of North Lanarkshire's town centres, including ongoing work to transform Cumbernauld town centre,
- £34 million key infrastructure investment in bridges, flooding, active travel and road safety,
- £11 million investment in the Parks Masterplan, including funding to enable the redevelopment of Strathclyde Park Watersports Centre,
- £20 million investment in business and digital systems as the Council continues its digital offering, and
- £10 million investment in Community Boards with a key aim of evolving the Council's approach to facilitating community asset transfers.

Recommendations

It is recommended that the Policy and Strategy Committee:

(1) Acknowledges the process for the development of the 5-year strategic capital investment programme,
(2) Approves the use of one-off resources associated with the changes in accounting for service concessions to augment capital programme resources as outlined in paragraph 2.10 and 2.11,
(3) Acknowledges the forecast resources available to fund the capital programme,
(4) Approves the 5-year strategic capital investment programme,
(5) Instructs the Council's Strategic Capital Delivery Group to establish the indicative annual phasing of the capital programme to support future Treasury Management Strategy reports and thereafter monitor progress against the delivery of expected outcomes,
(6) Acknowledges the update on Town and Community Hubs as outlined in paragraphs 2.25 to 2.27,
(7) Acknowledges the impact of project commitments on future capital investment cycles as outlined in paragraphs 2.28 to 2.31, and
(8) Approves the updated Capital Strategy 2024/25 to 2028/29 contained in Appendix 2.

The Plan for North Lanarkshire

Priority	All priorities
Ambition statement	All ambition statements
Programme of Work	Statutory / corporate / service requirement

1. Background

1.1. The Council's current 5-year Strategic Capital Investment Programme from 2021/22 to 2025/26 was approved at Policy and Strategy Committee in March 2021 with annual updates in each financial year.

1.2. Following the approval of the Council's renewed Programme of Work to 2028 and previous commitments to review capital programme delivery, at its meeting in October 2022 Policy and Strategy Committee endorsed the development of a new five-year capital plan to commence from 2024/25.

1.3. This approach aimed to ensure that there would be a greater degree of economic certainty in relation to issues such as interest rates, house building and government funding intentions.

1.4. Although that greater certainty has not necessarily materialised, the Council's Strategic Capital Delivery Group has continued to work on the development of a reset capital programme to be driven by the Corporate Asset Management Plan approved in 2022 and to ensure that potential funding for the Council's ambitions was maximised.

2. Report

Forecast Resources

2.1. The strategic capital investment programme has been developed based on the latest estimates of available resources including government grant, Community Investment Fund, known external funding and prudential borrowing:

	£000
Core Funding	
General Capital Grant	106,670
Community Investment Fund (including carry forwards from the former SC21 programme)	376,324
Prudential Borrowing (Spend to Save)	2,440
External Funding (including City Deal)	67,734
Capital Receipts	16,750
Sub-Total	**569,918**
Additional One-Off Funding	
Residual Strathclyde Pension Fund cost reductions	44,791
Service Concessions	44,800
Sub-Total	**89,591**
Total Forecast Resources	**659,509**

2.2. The previous strategic capital investment programme assumed annual General Capital Grant from the Scottish Government of £23.380m. However, following confirmation of the Local Government Finance Settlement in January 2024 the Council's General Capital Grant is due to reduce to £21.334m. The resources forecast assumes this lower level of General Capital Grant each year in the 5-year cycle. These single year settlements reduce the reliability of resource forecasting given the short-term nature of the Local Government Financial Settlement. The Scottish Government has previously committed to providing multi-year indicative allocations but the most recent announcement was for one year only.

2.3. The forecast resources from Community Investment Fund (CIF) are reflective of the scenario presented to Policy and Strategy Committee in September 2023. Members will recall that the latest CIF projections continue to assume that Elected Members will ringfence 1% of future Council Tax rises (or equivalent) to fund the strategic capital investment programme.

2.4. A key part of the Community Investment Fund modelling is the requirement to complete an annual review of the assumptions and projections. Each review has been presented to Policy and Strategy Committee and in the event that the assumptions change significantly this would be considered by the Council's SCDG in line with its Terms of Reference and ensuring ongoing compliance with the principles of the Council's Capital Strategy.

2.5. The most recent review included a sensitivity analysis outlining the impact of changes in the key variables affecting the total funding available for community investment including:

2.5.1. Failure to agree the 1% contribution from Council Tax in any one year would reduce resources available by £38.815m over the 10-year Community

Investment Fund period and would require equivalent reductions in capital investment opportunities. Conversely a decision to increase the proportion of Council Tax allocated to the Community Investment Fund would increase the resources available but would have the potential to increase the proportion of future budget gaps to be met from the delivery of recurring revenue savings.

2.5.2. The previous review included prudent estimates of future housing growth linked to the strength of the economy, cost of living crisis and increased cost of borrowing. Housing growth in excess of current assumptions could significantly increase the availability of resources. One of the key aims of the Council's Programme of Work to 2028 is to promote economic growth which would include private sector housing investment. This has the potential to improve resources available to support community investment.

2.5.3. Furthermore, the recent review assumed average interest rates of 4.75% will apply over the remainder of the current 10-year Community Investment Fund period. As Committee will be aware, these interest rates are highly dependent on wider economic factors. A 1% increase in interest rates would reduce funding by £47.793m but a decrease of 1% would increase forecast resources by £41.158m.

2.6. The proposed capital programme assumes resources of £2.440m to support the continuation of the Council's spend-to-save investment in LED street lighting.

2.7. External capital funding in support of the Council's capital programme is forecast to be £67.734m over the 5 year period. This is largely reflective of City Deal Grant and known Scottish Government grant contributions for areas such as Vacant and Derelict Land Fund, Regeneration Capital Grant Fund and Placed Based Investment Programme. It also makes an assumption of anticipated funding from the Scottish Government's Learning Estate Investment Programme for Chryston High School extension.

2.8. Projected capital receipts of £16.750m have been included in the programme based on the current estimates of likely future receipts from asset sales. Capital receipts can be significantly influenced by external market factors so, like all areas of capital resources, this will be kept under continual review.

2.9. Following approval of the Council's 2024/25 Revenue Budget on 15 February 2024 and acceptance of the Section 95 Officer's recommended budget strategy, the strategic capital investment programme assumes the release of one-off resources of £44.791m from the cost reductions associated with Strathclyde Pension Fund employer contributions to augment the capital programme and the Town and Community Hub programme.

2.10. In addition, at the Council meeting on 23 February 2023 Elected Members approved a change in the accounting for all of the Council's existing service concession arrangements. This changed the way the Council accounts for the public private partnership (PPP) and design, build, finance and maintain (DBFM) arrangements on an ongoing basis but the retrospective application of the change in accounting also released a one-off benefit of £44.800m which can now be applied to the strategic capital investment programme.

2.11. While the Strathclyde Pension Fund cost reductions are 'cash backed' this one-off accounting benefit is not and, as highlighted in the report to Council in February 2023, the Council will be required to borrow to fund this expenditure. Therefore, utilising this one-off benefit to support the capital programme ensures that additional borrowing costs can be managed over the life of the assets and the impact incorporated into the Council's Medium Term Financial Planning assumptions.

2.12. Comparing this programme to the previous 5-year programme on a like for like basis highlights a 12% increase and ensures this capital programme is the largest ever proposed by North Lanarkshire Council. The scale of Council backed investment should be seen in the context of a forecast reduction in the General Capital Grant of nearly 9% over the same period, and provides a clear statement as to the ambition for economic growth and development by the Council.

Programme Development

2.13. The strategic capital investment programme has been developed in conjunction with Services and led by the Strategic Capital Delivery Group (SCDG).

2.14. Services submitted capital bids to the SCDG using a standard template to evidence alignment with asset management planning requirements and Council priorities. Services were asked to categorise capital bids as follows:

- **Unavoidable commitment** – where projects have commenced, are legally committed or have fully funded committee approval from 2024/25 to 2028/29.
- **Asset Management Planning requirement** – for projects required to ensure a continued level of service and / or to prolong the life of existing assets.
- **New Investment** – where the project is being proposed in support the Council's revised Programme of Work to 2028.

2.15. The scale of ambition across the Council was demonstrated by the value of bids submitted. Bids totalling £1.655 billion were submitted against the total funding availability of £659.509m. With a significant degree of over-subscription the SCDG has been required to match available resources to projects and themes using a prioritised scoring model.

2.16. The capital bids were assessed and prioritised using a scoring model similar to that used in the Council's previous strategic capital investment programme. The key factors and associated weighting are highlighted in the following table:

Criteria	**Score (%)**
1. Statutory requirement	20
2. Manages the Council's risks	20
3. Revenue consequences (high score for delivering savings, low score for increasing cost base)	15
4. Deliverability	15
5. Impact on carbon management	10
6. Contribution to Programme of Work	20
Total	**100**

2.17. Whilst not explicitly stated as a key criteria, the Council's stated aim of tackling poverty is captured as part of the assessment criteria through the statutory requirement, management of risks and, in particular, contribution to the Programme of Work categories where individual bids were required to highlight how the project proposal would improve the Council's health check indicators, including the percentage of people economically active and reducing relative poverty.

2.18. During the evaluation process the Unavoidable Commitment category was expanded to include an assessment of those projects or elements of projects that must be completed to reduce the risk of service failures on areas such as key digital infrastructure, key bridge infrastructure etc.

2.19. Projects identified within the expanded Unavoidable Commitment category were top sliced from the available resources, with the remaining bids assessed in accordance with their relative weighted score against the criteria identified in paragraph 2.15. Those projects with the highest weighted score were allocated the highest percentage of their overall bid value and conversely if projects scored below the threshold no funding was allocated.

2.20. Finally, a programme moderation process was completed to assess any significant outliers from the previous funding allocations i.e. where funding allocations were significantly reduced or significantly increased. In addition, the final moderation process considered whether the funding allocation model created any situations where the available funding would result in a do not proceed dilemma and whether that outcome had any significant impacts on the Council's key ambitions.

Strategic Capital Investment Programme

2.21. The outcome of the process outlined above is the following strategic capital investment proposal, set out by individual service area:

Service Area	**Total Proposed Allocations 2024/25 to 2028/29 £000**
Enterprise and Communities	
Assets and Procurement	76,657
Assets and Procurement – Town and Community Hubs	250,074
Community Operations	112,030
Place	164,550
Enterprise and Communities Sub-Total	**603,311**
Chief Executive's	
Business and Digital	20,110
Strategic Communications and Engagement	10,369
Chief Executive's Sub-Total	**30,479**
Adult Social Care	**11,000**
Contingency	**14,719**
Total	**659,509**

2.22. This programme delivers significant ongoing capital investment in North Lanarkshire's communities which will support the Council's ambitions for place making transformation while supporting the creation and maintenance of jobs in the local economy.

2.23. To ensure the programme can be appropriately phased to match delivery requirements and to support ongoing financial and project monitoring arrangements, Committee is asked to instruct the Council's SCDG to work at pace to develop a 5-year profile of expenditure that delivers outcomes for North Lanarkshire's communities while being matched to the resources available to the Council. The 2024/25 element of the 5-year profile will form the basis of budget monitoring reports to Committees for the 2024/25 financial year.

2.24. In line with the SCDG Terms of Reference, the programme outlined above and in Appendix 1 will remain under continual review as the programme evolves and will continue to be reported for approval at Policy and Strategy Committee in Cycle 1 each year to ensure that the programme continues to reflect any changes in priorities and / or changes in the resources available.

Town and Community Hub Programme

2.25. The proposed strategic capital investment programme's largest constituent part is the Town and Community Hub programme with a proposed allocation of £250.074m, representing 38% of the overall resources available. This is largely for the completion of the currently approved programme and includes an allowance for increased delivery costs.

2.26. The remaining balance for new projects will be assessed by the Council's Town and Community Hub Project Board in accordance with prioritisation matrix as approved at Policy and Strategy Committee in March 2020. The outcome of this review will be reported through the Education, Children and Families Committee but it is expected it will include consideration of the potential for delivery of Community Hubs at Glenboig, Ravenscraig and Abronhill.

2.27. However, Committee should be aware that in keeping with the rest of the strategic capital programme it may not be possible to deliver on all expected outcomes within the current 5-year period as the Council needs to manage project delivery timescales within the overall envelope of finances available.

Future Years

2.28. During the bidding process, Services were required to provide indicative information linked to funding commitments required beyond the current 5-year cycle. The longer-term planning for future commitments will allow the Council to manage the expectations of what future capital plans can deliver in light of known commitments and ensure that, where appropriate, any future commitments are built into medium term financial planning processes.

2.29. One such future commitment that goes beyond the 2024/25 to 2028/29 timeframe is City Deal. While this report proposes expenditure of £91m in the current 5-year cycle to progress projects such as East Airdrie Link Road, there will be ongoing requirements in the next 5 year capital cycle from 2029/30 to 2033/34. Despite receipt of City Deal grants to partially fund the programme, the expenditure profile beyond the current 5-year cycle is currently estimated to be circa £180m which is an increase of around £100m as a result of the impact of inflationary pressures and cost increases resulting from the complexity of road infrastructure such as bridges and ground conditions, as well as land acquisition and compensation. Therefore, there is likely to be a significant increase in the Council's contribution to the City Deal programme from the previously assumed £90m to around £181m.

2.30. Similar to the above is the continued commitment to the delivery of the Town and Community Hub Programme. Recent market increases have seen estimated costs for a Town Hub facility increase to around £140m. Although there still exists a commitment to deliver on this ambition and exploratory works will commence over the term of this capital programme, this will be another consideration as to the shape and funding of the longer-term capital programme.

2.31. In planning for these future commitments, Committee should be aware that they may limit scope for other capital investment priorities, or may require re-prioritisation of projects e.g. within the City Deal programme, as highlighted at Policy and Strategy Committee in December. In addition, this may create additional recurring revenue consequences. These potential consequences will be monitored through the SCDG and, if appropriate, factored into the Council's Medium Term Financial Plan.

Housing Revenue Account Capital Programme

2.32. While this report focuses on the Council's General Fund capital programme, Committee should be aware of the record levels of forecast investment in the Council's current and future housing stock. Over the same 2024/25 to 2028/29 period the HRA's 30 year business plan assumption includes forecast investment of £806m across the mainstream programme and new supply programme. This represents the current planning assumption while recognising that it continues to be subject to agreement on future investment targets and funding from rental increases.

Overall Community Investment

2.33. Combining the updated General Fund Strategic Capital Investment Programme with forecast investment in the Housing Revenue Account means that the Council currently forecasts total Community Investment of £1.465 billion over next five financial years.

Review of Capital Strategy

2.34. In accordance with Prudential Code requirements, the Council carries out ongoing reviews of the Capital Strategy. The updated Capital Strategy is shown in Appendix 2. The principles outlined and adopted within the Strategy remain largely unchanged from the previous iteration.

3. Measures of success

3.1 The SCDG will continue to monitor the financial performance and operational delivery of the strategic capital investment programme to ensure completion of the programme in line with available resources.

4. Supporting documentation

Appendix 1 – Strategic Capital Investment Programme – 2024/25 to 2028/29
Appendix 2 – Capital Strategy 2024/25 to 2028/29

Andrew McPherson
Depute Chief Executive

5. Impacts

5.1	**Public Sector Equality Duty and Fairer Scotland Duty** Does the report contain information that has an impact as a result of the Public Sector Equality Duty and/or Fairer Scotland Duty? Yes ☐ No ☒ If Yes, please provide a brief summary of the impact? If Yes, has an assessment been carried out and published on the council's website? https://www.northlanarkshire.gov.uk/your-community/equalities/equality-and-fairer-scotland-duty-impact-assessments Yes ☐ No ☐
5.2	**Financial impact** Does the report contain any financial impacts? Yes ☒ No ☐ If Yes, have all relevant financial impacts been discussed and agreed with Finance? Yes ☒ No ☐ If Yes, please provide a brief summary of the impact? The financial impacts are outlined throughout the report. The Council's SCDG has responsibility for ongoing management of the strategic capital investment programme and the monitoring of the overall programme will continue to be presented to Finance and Resources Committee at each committee cycle. The SCDG will continue to monitor the potential impact of future capital commitments to ensure aligned with ongoing funding strategies and medium term financial planning processes.
5.3	**HR policy impact** Does the report contain any HR policy or procedure impacts? Yes ☐ No ☒ If Yes, have all relevant HR impacts been discussed and agreed with People Resources? Yes ☐ No ☐ If Yes, please provide a brief summary of the impact?
5.4	**Legal impact** Does the report contain any legal impacts (such as general legal matters, statutory considerations (including employment law considerations), or new legislation)? Yes ☐ No ☒ If Yes, have all relevant legal impacts been discussed and agreed with Legal and Democratic? Yes ☐ No ☐ If Yes, please provide a brief summary of the impact?
5.5	**Data protection impact** Does the report / project / practice contain or involve the processing of personal data? Yes ☐ No ☒ If Yes, is the processing of this personal data likely to result in a high risk to the data subject? Yes ☐ No ☐

	If Yes, has a Data Protection Impact Assessment (DPIA) been carried out and e-mailed to dataprotection@northlan.gov.uk Yes ☐ No ☐
5.6	**Technology / Digital impact** Does the report contain information that has an impact on either technology, digital transformation, service redesign / business change processes, data management, or connectivity / broadband / Wi-Fi? Yes ☐ No ☒ If Yes, please provide a brief summary of the impact? Where the impact identifies a requirement for significant technology change, has an assessment been carried out (or is scheduled to be carried out) by the Enterprise Architecture Governance Group (EAGG)? Yes ☐ No ☐
5.7	**Environmental / Carbon impact** Does the report / project / practice contain information that has an impact on any environmental or carbon matters? Yes ☐ No ☒ If Yes, please provide a brief summary of the impact?
5.8	**Communications impact** Does the report contain any information that has an impact on the council's communications activities? Yes ☐ No ☒ If Yes, please provide a brief summary of the impact?
5.9	**Risk impact** Is there a risk impact? Yes ☒ No ☐ If Yes, please provide a brief summary of the key risks and potential impacts, highlighting where the risk(s) are assessed and recorded (e.g. Corporate or Service or Project Risk Registers), and how they are managed? Through SCDG the Council will be managing ongoing risks associated with the strategic capital investment programme, including but not limited to: • Failure to spend in-year capital grant which may result in any unspent portion being returned to the Scottish Government. However, given the significant level of Community Investment Fund investment this is risk is deemed to be low at this stage. • Project delays and programme issues that impact on the delivery of the programme and result in increased costs or reduced outcomes. These risks will be managed through individual project governance arrangements with oversight provided by SCDG. • Commitments beyond the current 5-year cycle will continue to be monitored and refined with updated funding strategies and incorporated into the Council's established medium term financial planning processes.
5.10	**Armed Forces Covenant Duty** Does the report require to take due regard of the Armed Forces Covenant Duty (i.e. does it relate to healthcare, housing, or education services for in-Service or ex-Service personnel, or their families, or widow(er)s)? Yes ☐ No ☒ If Yes, please provide a brief summary of the provision which has been made to ensure there has been appropriate consideration of the particular needs of the

	Armed Forces community to make sure that they do not face disadvantage compared to other citizens in the provision of public services.
5.11	**Children’s rights and wellbeing impact** Does the report contain any information regarding any council activity, service delivery, policy, or plan that has an impact on children and young people up to the age of 18, or on a specific group of these? Yes ☐ No ☒ If Yes, please provide a brief summary of the impact and the provision that has been made to ensure there has been appropriate consideration of the relevant Articles from the United Nations Convention on the Rights of the Child (UNCRC). If Yes, has a Children’s Rights and Wellbeing Impact Assessment (CRWIA) been carried out? Yes ☐ No ☐

Strategic Capital Investment Programme 2024/25 - 2028/29 **Appendix 1**

Project / Theme	5 Year Total £000
Asset and Procurement Solutions	
Maintaining Existing Assets (windows, re-roofing, re-wiring and condition survey works for the Council's building assets)	33,174
Carbon Management	3,219
Office Rationalisation	6,693
Health & wellbeing and Digital Classrooms	743
Rationalisation including ASN & Social Work	6,254
Curriculum Development	2,258
Sustainable Estate	6,681
Outdoor Education and Outdoor Spaces	4,171
Future Capital Receipts Investment	3,162
Design Fees	9,149
1140 Early Learning and Childcare Expansion	654
Water Quality	500
Sub-Total Asset and Procurement Solutions	**76,657**
Town and Community Hubs	
Town and Community Hubs	250,074
Total Town and Community Hubs	**250,074**
Community Operations	
Operational and Infrastructure Development	23,957
Greenspace and Cemeteries	16,549
Greenspace Climate Resilience and Wellbeing	489
Parks Master Plan (including Strathclyde Park Watersports Centre Redevelopment)	11,217
Roads and Street Lighting/Asset Management	56,982
Contaminated Land and Resilience	2,837
Sub-Total Community Operations	**112,030**
Place	
Economic Regeneration (including investment in town centre regeneration and business and industrial infrastructure)	38,791
City Deal	91,218
Enterprise Projects	271
Infrastructure and Transportation improvements (including investment in bridges, reservoirs, flood risk mitigation and road safety improvements)	34,271
	0
Sub-Total Place	**164,550**
Total Enterprise and Communities	**603,311**

Strategic Capital Investment Programme 2024/25 - 2028/29 **Appendix 1**

Project / Theme	**5 Year Total £000**
Adult Social Care	
Equipment and Adaptations	11,000
Total Adult Social Care	**11,000**
Business & Digital	
Line of Business (LOB) System Portfolio	11,986
End User Device (EUD) Refresh	4,646
Digitisation & Innovation	3,479
Sub-Total Business & Digital	**20,111**
Strategic Communications and Engagement	
Community Board Project Investment Fund	10,369
Sub-Total Strategic Communications and Engagement	**10,369**
Total Chief Executive's	**30,479**
Corporate Contingency	
Contingency	14,719
Total Contingency	**14,719**
TOTAL GENERAL SERVICES CAPITAL PROGRAMME	**659,509**
HRA Mainstream Investment Programme (indicative)	806,031
TOTAL COUNCIL CAPITAL INVESTMENT	**1,465,540**

Capital Strategy to 2028/29

Contents

Executive Summary

Following the publication of the revised Prudential Code for Capital Finance in Local Authorities 2021, there is a requirement for councils to produce a Capital Strategy.

The purpose of the Strategy is to provide the framework to ensure the Council creates an asset base that meets the shared ambition for North Lanarkshire to be the place to Live, Learn, Work, Invest and Visit. This shared ambition musters combined resources and delivers change in a way that recognises the need for partnership and co-operation to address challenges through integrated solutions and make a difference to the lives of people who live in North Lanarkshire's communities.

The objective and aim of the Strategy is to ensure the Council takes capital expenditure and investment decisions in line with the Council's priorities, service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability.

The Strategy forms part of the Council's integrated approach to corporate resource planning in line with the overarching Financial Strategy, aligning with other Council Corporate Policies and Plans informing the capital investment process.

It is a means of developing capital investment proposals up to 2028/29 based on available resources aligned to The Plan for North Lanarkshire, Best Value, the Financial Regulations, the Corporate Asset Management Plan, and the Medium Term Financial Plan established within the overarching Financial Strategy. A brief summary of these is provided within Appendix A.

The Strategy sets out the governance and programme management arrangements and the expected level of skills and knowledge required in capital programme management to enable the Council to achieve its capital investment objectives. The Council has in place a Strategic Capital Delivery Group (SCDG) to oversee the identification of capital funding resources, project approval and the day to day management of the capital programme including the realignment of resources and programme delivery.

The Strategy outlines the requirement to access various capital funding sources which are available to the Council including capital grants, capital receipts and prudential borrowing. It also recognises opportunities for collaborative working or taking advantage of new funding opportunities to support economic growth and Ambition.

The Strategy highlights the risks that may impact upon the Council achieving its aims and objectives for capital expenditure and investment, including the risk of delay in starting and completing projects and the risk of cost overrun. Inherent treasury management risks are also highlighted which may impact upon the affordability and delivery of the approved capital programme. These include interest rate, liquidity, and legal and regulatory risk, heavily influenced by the external environment.

In accordance with the Strategy, the Council has a model for allocating limited capital finance to competing projects, using a formal capital bid template and a project ranking and selection process.

The approved capital programme categorises investment across a number of themes and projects organised through individual service groupings.

Please note in accordance with the governance arrangements, the SCDG has the ability to agree a realignment of resources and programme delivery.

Thereafter the Strategy outlines the monitoring processes and mechanisms put in place to ensure that projects are delivered on time, within budget and provide the desired level of service output.

Finally the Strategy recognises the importance of good Treasury Management (TM) practice as an important factor in achieving the aims and objectives of the Capital Strategy identifying prudential borrowing as an important funding source. The TM team manages the Council's annual borrowing strategy as laid out within the approved Treasury Management Strategy.

Introduction

Following the publication of the revised Prudential Code for Capital Finance in Local Authorities 2021, there is a requirement for councils to produce a Capital Strategy.

The Council has prepared a Strategic Capital Investment Programme for approval at Policy and Strategy Committee on 14 March 2024. This Capital Strategy to 2028/29 ("the Strategy") represents a refresh of the strategy document further developing the previous approach in light of the Prudential Code requirements.

The purpose of the Strategy is to provide the framework to ensure the Council creates an asset base that meets the shared ambition for North Lanarkshire to be the place to Live, Learn, Work, Invest and Visit. This shared ambition musters combined resources and delivers change in a way that recognises the need for partnership and co-operation to address challenges through integrated solutions and make a difference to the lives of people who live in North Lanarkshire's communities.

The objective and aims of the Strategy are to ensure the Council takes capital expenditure and investment decisions in line with the Council's priorities, service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability.

Capital expenditure is used to acquire or upgrade physical assets of the Council, such as Property, Plant or Equipment. By definition, all capital expenditure incurred by the Council must result in a new asset being created, an existing asset being enhanced or its useful economic life extended.

Capital Expenditure eligibility is assessed on an individual basis with reference to the CIPFA Code of Practice on Local Authority Accounting (CIPFA ACOP) and associated accounting standards and practitioner notes.

Capital expenditure is expenditure of the local authority which falls to be capitalised in accordance with proper accounting practice.

The Strategy forms part of the Council's integrated approach to corporate resource planning which forms part of the Council's overarching Financial Strategy, aligning with the Strategic Policy Framework informing the capital investment process.

It is a means of formalising the development of capital investment proposals up to 2028/29 based on available resources aligned to The Plan for North Lanarkshire, Best Value and Efficiency, the Financial Regulations, the Corporate Asset Management Plan, and the Medium Term Financial Plan established within the overarching Financial Strategy.

A brief summary of these is provided within Appendix A emphasising their context in developing the Strategy.

The Strategy considers the priorities which will inform the Council's approach to investing in its assets, in the context of the capital resources expected to be available, reports on progress and identifies measurable objectives for the timeframe of the Strategic Capital Investment Programme.

It is underpinned by the Council's Corporate Asset Management Plan approved in September 2022 setting out a strategic framework for the effective delivery of asset management planning. The approach to asset management planning is based on developing best practice including "A Guide to Asset Management and Capital Planning in Local Authorities" published by CIPFA.

In accordance with the governance arrangements, the SCDG may redirect resources between financial years and across projects or themes to ensure ongoing alignment with the Council's priorities and to manage emerging risks.

It is essential to achieve the aims of the Strategy that a structured approach is adopted to set the capital programme, its delivery and monitoring, with services working through the Strategic Capital Delivery Group in a coordinated, corporate manner. The paragraphs below outline the Strategy to be adopted in terms of developing, setting and monitoring the capital expenditure plans to achieve the main purpose of the Strategy covering:

- Capital Governance and Programme Management Arrangements,
- Capital Funding Sources,
- Capital Bids Methodology, and
- Capital Project Ranking and Selection process.

Capital Governance and Programme Management Arrangements

Strategic Capital Delivery Group

To consider and assess service capital bids and develop the Council's long-term capital programme and ensure an efficient and effective programme delivery the Council has in place a Strategic Capital Delivery Group (SCDG) which was initially set up in July 2017.

It is an officer working group comprising senior officers chaired by the Depute Chief Executive and includes key Chief Officers from across the Council. The Group advises Elected Members in terms of capital allocation and project approval and has responsibility for the day to day management of the capital programme, including the realignment of resources and programme delivery.

The Group as a minimum meet quarterly prior to each cycle of Policy and Strategy Committee.

The Group objectives being:

- Monitor the Council's Strategic Capital Investment Programme, including performance against delivery aims and objectives;
- Advise Elected Members on capital allocations and project approval, making recommendations on and amendments to the approved capital programme;
- Ensure the proper alignment of capital resources to allow for effective delivery of the programmes;
- Monitor expenditure projections against budgets and available resources, revising these where necessary, subject to the limits set out in its approved Terms of Reference;

- Ensure robust governance arrangements around the delivery, monitoring and reporting of capital programmes;

- Consider the quarterly capital monitoring report to Finance and Resources Committee to ensure appropriate actions are agreed for review by Elected Members;

- Ensure Participatory Budgeting principles are embedded in key capital investment decisions of the Council;

- Arrange and undertake training/awareness sessions as required to reinforce skills/knowledge across the Council in respect of capital monitoring and capital financing;

- Ensure all decisions made by the Group are Intra Vires and in line with The Plan for North Lanarkshire.

The SCDG make recommendations and amendments to the approved capital programme, as required, with decisions taken by the SCDG officially reported through regular budget monitoring reports considered by individual Service Committee reports and also by service management teams.

As the SCDG is scheduled to meet quarterly, the approval of business cases and funding allocations may be delegated to a project board specifically set up for this purpose if agreed by the SCDG.

Capital Funding Sources

In the early stages of developing the Council's capital programme it is important that the Strategy identifies all potential sources of capital funding as this will be a key component in the Council achieving the aims and objectives of this Strategy.

Funding levels will drive the level of capital expenditure which is prudent, sustainable and affordable, aligned to the financial challenges within the Medium Term Financial Plan, the Council's priorities, the corporate asset management plan and ensuring value for money. There are a number of alternative funding sources available to the Council which are considered.

Scottish Government

The Scottish Government provides the Council with funding to support capital expenditure in the form of two types of capital grant, General Capital Grant and Specific Capital Grants.

General Capital Grant is provided to the Council as part of the annual Local Government Settlement. Councils are able to spend this grant on capital projects that meet local and national priorities. A General Capital Grant offer is made to individual local authorities each year through the issue of a grant offer letter.

Specific Capital Grants are also known as specific purpose grants or ring-fenced grants, and may only be used by local authorities for specific purposes. The terms and conditions of each grant are set out separately in the grant offer letters. The Council will receive some Specific Capital Grants through the Local Government Finance Settlement with additional Specific Capital Grants paid out with the Local Government Finance Settlement.

Capital Receipts

Capital receipts represent money received from selling land, buildings or other capital assets which may only be used to fund new capital expenditure or the repayment of debt principal through the Capital Fund.

The Council has approved procedures for dealing with surplus assets, details of which are outlined within the Corporate Asset Management Plan.

The general principle for the use of Capital Receipts is that any receipts generated from the sale of assets will be considered corporately with the potential for these to be used to augment the investment in the capital programme.

The sale of assets will also link to the various corporate strategies approved by the Council with these resources potentially earmarked to fund priorities.

The capital strategy adopted in relation to capital receipts should recognise key factors which may require mitigation which influence the potential receipts achievable including:

- Over reliance on a small portfolio of disposals whereby the addition/removal of a surplus asset from the original projections has a significant impact on receipts;
- A drop in economic performance of the UK impacting on development;
- Changes in legislation/planning permission/statutory consents.

Other External Funding

The Strategy will consider innovative sources of finance to provide funding for projects which are of the nature, scale and size to attract to attract external funding support. This may include:

Joint Working with Community Planning Partners and Shared Services

Improving joined-up service delivery, the need to demonstrate Best Value and financial constraints are factors that may cause the Council to consider joint procurement of capital assets. The different capital funding, procurement, VAT rules across the public sector will have to be taken into account in considering this option. Historically the Council has pursued a number of joint projects, e.g. the construction of the Buchanan Centre, Wishaw Hub, the Clyde Valley Residual Waste Management Facility and Chryston Community Hub.

Scottish Futures Trust Initiatives / Partnership with Private Developers/Joint Bodies

Working in partnership with private developers could lever in private sector investment to achieve Council objectives within a realistic timescale. This could also include new initiatives developed by the Scottish Futures Trust e.g. DBFM Hubco for schools, the SALIX Energy Efficiency Programme and Joint Body contributions to works e.g. Strathclyde Passenger Transport.

Leasing Arrangements

Leasing assets may be considered as an alternative to owning assets, e.g. to provide flexibility in service delivery where the Council would not want to be locked into owning assets which could become obsolete through changing technology or as a result of changing demographics or demand for service.

Prudential Borrowing

The Local Government in Scotland Act 2003 introduced the Prudential Code for Capital Finance with effect from 1 April 2004. The key objectives of the code are to ensure that the capital investment plans for local authorities are affordable, prudent, sustainable linked closely to TM practices.

Adopting the Prudential Code, prudential borrowing can be used to meet the shortfall in other capital funding sources, i.e. the capital financing requirement, with revenue funding, informed by the MTFP, available to meet the implications of capital expenditure, both borrowing costs (interest and principal repayments otherwise known as 'loan charges') and other revenue implications. As a result, the capital and revenue planning processes are fully integrated and decisions are taken on the level of borrowing that is deemed to be affordable, prudent and sustainable.

Capital expenditure levels are determined, based on an assessment of the current asset base and the identification and prioritisation of investment needs, as identified using the capital bid methodology described below with the level of spending assessed in conjunction with the capital funding sources available.

By implementing the approach outlined within this Strategy and the associated TM Strategy, the Council will have in place the tools to fulfil the objectives of the Prudential Code. This includes the setting and monitoring a number of statutory Prudential and TM indicators, which include the setting of borrowing limits. The prudential indicators for capital expenditure plans are encompassed within the Council's TM Strategy, with a brief summary of its content within the Treasury Management Strategy and Prudential Borrowing section below.

The Council adopts the strategic approach outlined above in identifying capital funding sources which inform the development and setting of the strategic capital investment programme.

Initiatives linked to Prudential Borrowing

Community Investment Fund

The creation of the innovative Community Investment Fund supports the significant investment in North Lanarkshire's communities. Prudential borrowing is undertaken with the associated loan charges financed by the anticipated growth in Council tax income, directly linked to the Ambition programme. This ensures the financial benefit accruing from Ambition is used to support investment in local communities. Similarly subject to Council approval, the potential and pace of growth of the fund could be enhanced by setting aside a portion of the any Council Tax increase.

Annual updates are provided to Policy and Strategy Committee on Community Investment Fund assumptions and the impact of these updates on funding available is incorporated into capital planning and resourcing considerations managed through the Strategic Capital Delivery Group.

Capital Funding Sources: Considerations and Risks

Reduced Capital Funding

In developing a capital programme there are a number of assumptions made in terms of funding sources, relying on past current and future projections. Therefore a risk exists that capital plans may need to be revised and priorities re-assessed if the level of resources available is reduced. For example there has been a significant reduction in capital grant funding in recent years because of the state of the public finances and there remains uncertainty as to future grant levels. The remit of the SCDG is to monitor resources available and take appropriate action.

Treasury Management Risks

The delivery of the Capital Programme is closely aligned to the TM Strategy and in particular the borrowing strategy which informs the level of ‘Prudential Borrowing’ which is affordable, sustainable and prudent. There are a number of inherent risks associated with TM including interest rate, liquidity, and legal and regulatory risk. A number of these risks are influenced by the external environment and will be monitored as their influence may require capital plans to be revised. Examples include:

The Scottish Government has the power to limit the level of prudential borrowing under Section 36 of the Local Government in Scotland Act 2003 (Scotland) and any limit imposed nationally would have an impact on the Council’s ability to resource its capital programme if borrowing is required to meet the shortfall in other resources available.

The Council currently has access to finance at competitive rates via the Public Works Loan Board from the National Loans Fund. Any decision by HM Treasury to limit access to or increase the rates for borrowing from the PWLB would impact on the cost of financing capital investment and aligning to the MTFP may require capital plans to be revised.

Operational Risks

The nature of capital projects means that there are operational risks associated with their delivery, including the risk of delay in starting and completing projects and the risk of cost overrun. This Strategy promotes an environment that should ensure risks are explicitly set out in capital proposals and action identified to mitigate these risks.

Capital Bids Methodology

Whilst striving to identify all the capital funding sources available, the Council should ensure that it has a capital bid process which captures all the necessary information to assess how the project aligns with The Plan for North Lanarkshire, corporate asset management plan, medium term financial plan, treasury management and achieving value for money.

This approach requires Services to complete a Capital Programme Bid template (see Appendix B), fully and accurately as possible, to facilitate an effective and informed decision-making process. The purpose being to assist the Council’s Strategic Capital Delivery Group (SCDG) to identify and recommend the most appropriate and beneficial capital programme.

Services may provide bids at a high level under a common theme or programme of works heading e.g. wind and watertight programme, energy efficiency etc. However, due consideration can also be given as to whether it would be more appropriate to bid at a project level e.g. a new build care home , this may allow for more effective monitoring going forward, should the capital bid be approved.

Chief Officers and Managers must provide sufficient evidence and supporting detail to support their submissions.

Within the capital bid template the following information is provided:

Objectives

A brief outline is required to identify the high level aims and objectives of the programme. Services are asked to identify how the project should be classified with the appropriate rationale provided:

- Unavoidable Commitment – relate to projects that have commenced or have been committed by committee decision but are not fully funded within the current capital programme;

- Asset Management Planning Priority – Capital projects to ensure a continued level of service and/or prolong the life of existing assets. In addition, it may be considered that if capital expenditure is not undertaken, a detrimental impact may result on either service provision, asset life, or customer satisfaction. Asset Management Planning is essential to the development of the Capital programme. Any project identified within this category should appear in Corporate Asset Management Plan or individual service or function asset management plans.

- New Investment – Where the project is being proposed in support of the Council's The Plan for North Lanarkshire Programme of Work to 2028.

Financial Summary

Services should provide a reasonable estimate of when the project will start as well as the estimated completion date. This should be supported by estimated phasing of the investment needed. Due to the restrictions of funding available any flexibility in the phasing should also be identified as additional information.

Given many projects and programmes span across multiple years service are asked to identify any estimated expenditure from 2029/30 to 2033/34 to ensure that any financial commitments can be incorporated into the Council's medium term financial planning processes.

Where there are ongoing revenue implications associated with capital investment proposals, services are asked to provide an estimate of any recurring savings and recurring costs.

Key Deliverables

As part of the SCDG's ongoing monitoring of both the financial aspects of the capital programme and the outputs / outcomes, Services are required to provide details of the targeted outputs and outcomes for each year of the 5-year cycle. Examples of outputs could include, for instance, the number of window replacement projects, the number of town centre sites regenerated and the numbers of end user devices refreshed. Examples of planned or anticipated outcomes would include the impact of condition survey projects on the overall condition of the school estate, improved occupancy of town centre sites and improved system and network performance.

To support the monitoring and evaluation of projects Services are also asked to outline how they will demonstrate that the stated outputs and outcomes have been achieved / delivered.

Risk Impact

The capital bid documentation makes reference to Audit Scotland guidance on effective capital programme management which expects councils to have robust risk management arrangements in place. It also recognises that a key part of capital programme delivery can be in helping the Council to manage risks by improving the condition of assets etc. Services are asked to provide information to help assess the contribution their projects would make to the Council's overall risk management framework, including identification of:

- Corporate or service risks the project will help to mitigate,

- Risks that are inherent in the project,

- Risks of not undertaking the project, and

- How the project's risks will be managed.

Programme of Work to 2028

Services are asked to include an assessment of how the project they propose contributes to each of the Programme of Work themes. Specifically Services are asked to provide information on the scale of impact on Programme of Work 'Initial Actions', 'Health Check Indicators' and 'What will be achieved' items as highlighted in the The Plan for North Lanarkshire Programme of Work document published in March 2023 (Programme of Work to 2028)

Public Sector Equality Duty and Fairer Scotland Duty

Where the project / programme has an impact as a result of the Public Sector Equality Duty and / or Fairer Scotland Duty Services are asked to provide a brief summary and consider whether it would be appropriate to complete and publish the relevant assessment.

Additional Information

This section is used to provide any additional information that Services consider would further support any element of the above or their capital bid as a whole. Please note that this should be kept to a minimum, ensuring information and evidence is succinct to allow the SCDG to fully assess the bid.

Capital Project Ranking and Selection Process

Following the submission of the capital bids from Services, the SCDG members are responsible for scoring the bids. The overriding principle is to ensure that the capital investment plans align closely to the priorities of the Council, with each bid assessed as to how it helps advance these aims. This process also recognises the limits to funding levels available to support the capital investment plans, including the loan charges and revenue implications incorporated within the Medium Term Financial Plan projections.

Unavoidable commitments relating to projects that have commenced or have been committed by Committee decision but are not fully funded within the current capital programme and/or are of strategic importance should be top sliced from the available resources.

Thereafter capital bids are assessed and prioritised using a weighted scoring model. The key factors and associated weightings are highlighted in the following table:

Criteria	**Score (%)**
7. Statutory requirement	20
8. Manages the Council's risks	20
9. Revenue consequences (high score for delivering savings, low score for increasing cost base)	15
10. Deliverability	15
11. Impact on carbon management	10
12. Contribution to Programme of Work	20
Total	**100**

Four members of the SCDG are asked to score each bid against these criteria on a range of 0 to 5, with 0 highlighting no contribution / impact and 5 highlighting maximum contribution / impact.

The individual scores are then combined to provide a consolidated score. This consolidated score is converted into a percentage which then allows all projects to be ranked in priority order.

Those projects with the highest weighted score were allocated the highest percentage of their overall bid value and conversely if projects scored below the threshold no funding was allocated.

Finally, a programme moderation may take place to assess any significant outliers from the previous funding allocations i.e. where funding allocations are significantly reduced or significantly increased. In addition, the final moderation programme may consider whether the funding allocation model would create any situations where the funding available would result in a 'do not proceed' dilemma and whether that outcome had any significant impacts on the Council's key ambitions.

5 year Capital Programme 2024/25 to 2028/29

A summary of the approved Capital investment programme between 2024/2025 to 2028/2029 is outlined in the following table below.

Service Area	**Total Allocations 2024/25 to 2028/29 £000**
Enterprise and Communities	
Assets and Procurement	76,657
Assets and Procurement – Town and Community Hubs	250,074
Community Operations	112,030
Place	164,550
Enterprise and Communities Sub-Total	**603,311**
Chief Executive's	
Business and Digital	20,110
Strategic Communications and Engagement	10,369
Chief Executive's Sub-Total	**30,479**
Adult Social Care	**11,000**
Contingency	**14,719**
Total	**659,509**

Programme Monitoring

The approved capital programme should be subject to ongoing financial monitoring to ensure expenditure and funding levels are in in line with assumptions and forecast during the capital bids process, the project selection and ranking stage and anticipated capital funding levels.

Elected Members are responsible for considering and approving capital budgets and the Financial Strategy for the Council. An annual budget report will be presented to Policy and Strategy Committee at Cycle 1 each year which will take into account any updates on the capital funding available and any emerging priorities that may have to be considered.

Capital Monitoring Reports to Service Committee should be at a level of detail that is clear and transparent providing members with a proper insight as to how the capital expenditure plans are progressing. It is expected that as a minimum this will be at theme level.

Reports to the SCDG and Service management teams should include information at individual project level to ensure full transparency with regard to decision-making. As such, individual Services require to monitor the capital programme on a project basis, with the information available to Finance staff on a periodic basis, and to the SCDG as a minimum on a quarterly basis.

Overall responsibility for Financial Management within the Council lies with the Chief Officer (Finance) therefore Finance staff must be provided with information for individual projects to allow for effective financial monitoring in accordance with the Council's Financial Regulations.

SCDG will also periodically seek information from Services to monitor performance of the capital programme against the anticipated and planned outputs and outcomes to ensure that the overall programme is delivering as intended.

The SCDG has oversight of the performance of the Council's capital programme and will manage service requests for acceleration, reprofiling and virement process in line with SCDG Terms of Reference. Post implementation reviews will also be carried out in line with the Council's approved project management guidelines outlined within the Corporate Asset Management Plan.

Knowledge and Skills

The Council has a programme of work to build a sustainable 'Workforce for the Future' which includes development of a Council wide workforce strategy, a broader learning and development strategy and programme of work, new policy frameworks to enable increased flexibility in working patterns and an enhanced focus on employee engagement and wellbeing.

The Capital Programme is managed at service and governance level by a team of professionally qualified staff who have extensive experiences in asset management, meeting statutory obligations, delivering new investment initiatives, financial monitoring and compliance with proper accounting practices.

The technical experience and professional qualifications of staff involved in capital programme governance, development and delivery should be at a level to ensure the ability to:

- Define processes and procedures;
- To identify core capital requirements and priorities;
- Work with Services identifying capital needs;
- Understand CIPFA Code requirements;
- Understand and manage risk.

The Chief Finance Officer (S95 Officer) is responsible for ensuring the effective administration of the financial affairs of the Council in terms of Section 95 of the Local Government (Scotland) Act 1973. The Council's Section 95 Officer is the Chief Officer (Finance) and is responsible for Capital Expenditure and is supported by a team of professionally qualified accountants who follow a continuous professional development plan.

To assist in ensuring proper capital accounting practices are adopted in respect of capital expenditure the Finance team has prepared a ‘Capital Accounting Procedures & Guidance Note’.

This document is distributed to all finance staff involved in capital finance by request from by contacting the Capital Accounting team within Finance.

This guidance covers the following areas:

- Capital Expenditure, initial recognition and capitalisation;
- Capital Income – treatment of capital receipts, grants etc;
- Principles of Capital Accounting, Policies and Valuation;
- Non-Current “Fixed” Asset Register.

Treasury Management Strategy and Prudential Borrowing

In delivering the Strategy an important funding source is prudential borrowing and the TM team are responsible for funding this adopting the Council’s annual borrowing strategy laid out within its TM Strategy.

Treasury Management is defined as the management of an organisation’s investments, cashflows, banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The TM strategy considers the affordability of the capital financing requirement otherwise known as ‘Prudential Borrowing’ also factoring in the following within its borrowing strategy:

- Costs of refinancing of maturing debt;
- Loan debt repayment policy;
- Maintenance of prudent cash levels.

The TM Strategy is developed based on assumptions and forecasts across a number of areas with a key driver being the capital expenditure plans and the level of prudential borrowing: It incorporates:

- Debt and investment projections;
- Interest rates projections;
- Borrowing and investment strategies;
- TM performance measures;
- Policy on repayment of loans funds advances;
- Treasury Management/Prudential Indicators.

The Prudential Code requires that this Strategy be aligned with the TM strategy. In this regard and to promote an integrated approach between the capital expenditure plans and TM strategy, the Council incorporates the Prudential Indicators with regard to capital expenditure within its annual TM Strategy.

The TM strategy detailing the Council's debt position, including the anticipated level of debt, the authorised borrowing limit and capital expenditure plans.

The capital expenditure plans determine the borrowing need of the Council and the TM process essentially monitors the cash flow to ensure the Council can manage its capital spending obligations by adopting the borrowing strategy outlined within the TM strategy.

The outputs from the capital expenditure plans being reflected in Prudential Indicators, which are calculated to assess if capital expenditure plans are:

- Affordable e.g. the proportion of financing costs to net revenue stream
- Prudent and Sustainable e.g. implications of external borrowing and an assessment of borrowing costs and interest rate forecasts/expectations;
- Providing value for money, e.g. options appraisal;
- Ensuring stewardship of assets, e.g. asset management planning;
- Meeting service objectives, e.g. strategic planning for the authority;
- Practical e.g. achievability of the forward plan.

The definitions of the key mandatory indicators required by both the CIPFA Prudential Code and the CIPFA Treasury Management Code are contained within the Council's Treasury Management Strategy which was presented to Finance and Resources Committee on 28 February 2024 (Treasury Management Strategy 2024/25; Treasury Management and Prudential Indicators 2024/25 to 2028/29). The indicators listed below are adopted to demonstrate that the Council Capital investment plans are prudent, affordable and sustainable as follows:

- Prudential Indicator: The Capital Expenditure Plans;
- Prudential Indicator: Capital Financing requirement (CFR);
- Prudential Indicator: CFR and limits to Borrowing activity;
- Prudential Indicator: Authorised Limits;
- Prudential Indicator: Operational Boundary;
- Prudential Indicator: Proportion of Financing Costs to Net Financing Stream;
- TM Indicator: Interest Rate Exposures;
- TM Indicator: Maturity Structure of Borrowing;
- TM Indicator: Credit Risk.

In developing the Strategy linked closely to the Medium Term Financial Plan and determining affordability, the Council must take into account the various statutory loans fund repayment options available for loans fund advances under the relevant statutory guidance and regulations.

The broad aim of prudent repayment is to ensure that the Council's capital expenditure is financed over a period of years which that expenditure is expected to provide a benefit and that each year's repayment amount is reasonably commensurate with the period and pattern of the benefits.

The actual and estimated prudential indicators and the Council policy on loan fund repayments and future commitments can be viewed within the TM Strategy and Prudential Indicators presented quarterly to Finance and Resources Committee.

Future Steps

The Strategy will continue to be under review. In particular, consideration will be given to the following:

- Continuing to review alternative sources of finance, including an assessment of relative costs and risks to ensure maximum value for money;
- Continuing to look for opportunities for joint working with other organisations to improve the efficiency of capital programme delivery;
- Continuing to improve the quality of capital project and programme information to assess performance again cost estimates, timescales and achievement of benefits;
- Ensuring Services investment proposals clearly set out the identification and assessment of risks for individual projects and the calculation of the associated potential costs prior to inclusion within future capital programmes;
- Developing a continuing programme of training for elected members on capital planning and investment;
- Ensuring that Services retain documentation on the progress of projects so that performance against plans can be tracked;
- Continuing to improve capital expenditure profiling to enable comparison of performance against milestones.

Appendix A

Summary of Corporate Plans & Polices aligned to the Capital Strategy to 2028/29

1. The Plan for North Lanarkshire

In developing the Strategy the key driver is The Plan for North Lanarkshire and the purpose of the Strategy being to create an asset base which meets the shared ambition where we aspire that North Lanarkshire is the place to Live, Learn, Work, Invest and Visit. This shared ambition mustering combined resources and delivering change in a dynamic way that recognises the need for partnership and co-operation to address challenges through integrated solutions and make a difference to the lives of people who live in our communities.

The Plan for North Lanarkshire focuses on the five priorities aiming to:

- Improve economic opportunities and outcomes;
- Support all children and young people to realise their full potential;
- Improve the health and wellbeing of our communities;
- Enhance participation, capacity and empowerment across our communities;
- Improve North Lanarkshire's resource base

Within these five priorities there are 25 high level ambition statements.

In developing the Capital Programme the SCDG are required to assess and score how each project submitted for consideration contributes towards achieving the Council priorities and their related ambition statements with a weighting applied to each priority sub-divided for each of their related ambition statements. Further detail regarding the capital bids and project ranking selection process and how it achieves the selection of projects aligning to corporate strategies is detailed within the Strategy.

2. Corporate Asset Management Plan

The effective use of Council assets is a key priority for the Council and the Corporate Asset Management Strategy drives forward proposals for capital investment via the Capital Bids process described within the Strategy. One of the criteria for making a capital bid, within the objective section of the capital bid template, is whether the proposed capital expenditure is deemed an 'Asset Management Plan Priority', emphasising the importance of having a working Corporate Asset Management Plan (CAMP) in place.

A corporate approach to asset management will support the development, on-going scrutiny and monitoring of the capital programme and initiatives for future investment. Assets are the second largest cost to the public sector after payroll costs and the approach to asset management can influence both the quality of public services and the money that is available to the frontline and other services.

The Council's CAMP published in 2022 relates to the period 2021 to 2026 sets out the Council's strategy for managing its assets (Corporate Asset Management Plan).

The aim of the Council's Corporate Asset Management Plan (CAMP) is to maintain and improve the condition suitability and utilisation of assets in terms of service delivery and best value.

The Council manages a large and diverse portfolio of assets and depends on relevant up-to-date, accessible information to allow the Council to make informed decisions on the use of assets. The Council uses various asset management systems e.g. PISA, GIS mapping system for property to store information on its non-current assets.

The Corporate Asset Management Plan has six overarching objectives:

- Work towards the vision and ambitions of The Plan for North Lanarkshire,
- Rationalise our asset base to better meet our current and future business needs,
- Carry out tactical improvements to our retained assets,
- Ensure that our retained assets are as carbon efficient as possible,
- Continue to develop innovative methods of providing new facilities and only provide those where there is a compelling business need to do so, and
- Demonstrate the requirements for any future capital investment to be directed towards meeting the above objectives.

3. Financial Strategy: Medium Term Financial Plan

The Council is facing financial challenges recognised within the Council's Medium Term Financial Plan (MTFP) in which the implications of striving to achieve the outcomes behind the Strategy will have financial implications.

Given the ongoing level of uncertainty around Scottish Government funding in both capital and revenue, it is considered that a five-year medium-term plan covering the period 2024/25 to 2028/29 is reasonable and appropriate for planning purposes.

The MTFP has been developed within a continuing challenging financial climate with the Council constantly facing competing demands for the limited resources available. It reflects latest political, social and economic factors and their impact on demand for services, resources, other cost pressures and financial settlements.

The MTFP assists the development of a strategy to ensure resources are allocated across competing services according to The Plan for North Lanarkshire priorities, ensuring all plans are linked to Government spending review announcements, new priorities, inflation targets and anticipated changes in demand. In addition, the plan takes account of risks which may impact on the Council's future resource levels, which therefore can affect its ability to continue to provide high quality services focusing on the Council's priorities.

The MTFP also takes into account the latest projections of funding through the Community Investment Fund which is subject to annual reviews presented to Policy and Strategy Committee.

4. Best Value & Efficiency

The Council is committed to ensuring it has Best Value built into its overall service delivery. Best Value is contained within the overall planning process, with Services required to set clear objectives and identify the resources required to deliver them, within the service planning process.

The Council has an Audit and Scrutiny Panel charged to audit and review Council processes and procedures relating to areas of direct service provision, thus ensuring that Best Value processes are constantly audited and maintained.

Capital investment decisions have a major impact on the delivery of Council services. The Strategy and the resultant decisions on projects included within the Council's capital programmes are developed on Best Value principles.

The Council embraces the Best Value regime and delivers Best Value through the:

- The Plan for North Lanarkshire;

- Equal Opportunities Policies and Procedures;
- Consultation Processes;
- Corporate Governance Framework;
- Local Government Benchmarking Framework
- Strategic Self Evaluation Framework
- Sound Management of Resources.

The Council is committed to improving asset management and the Strategy is designed to ensure that capital investment decisions support the provision of a modern, effective asset base.

5. Council Financial Regulations

Financial Regulations are an integral part of the Council's framework of internal financial controls, which are designed to ensure the effective stewardship of the Council's funds. Compliance with these regulations will ensure that public money is safeguarded and properly accounted for, and all Council financial transactions undertaken in a manner which demonstrates openness, transparency and integrity.

In developing the Strategy recognition has been taken of the Council Financial Regulations and in particular Section 4 Capital Expenditure which covers the following areas:

- Capital Programme Development & Preparation
- Right to Proceed
- Spend Approvals
- Contingency Sums/ Deviation
- Setting of Capital Estimates
- Acceleration & Emerging Projects
- Revenue Consequences
- Agents

The Financial Regulations also make reference to the Terms of Reference of the SCDG approved by the Policy and Resources Committee. These are designed to facilitate the effective management of the Council's capital investment including capital planning, programme development and monitoring processes with further details of the SCDG remit included within the Strategy under Capital Governance and Programme Management Arrangements.

Appendix B

North Lanarkshire Council
Strategic Capital Investment Programme 2024/25 to 2028/29
Capital Bid Template

Prepared By:	Date:	Version

Project Title/Theme:		Project Ref:	
Service / Division:			
Estimated Cost / Project Bid:			

1. Objectives

Please provide a brief outline of the high level aims and objectives of the project / programme?

How should the project be classified (check box)?

- Unavoidable Commitment (legally committed or committee approved only) ☐
- Asset Management Plan requirement ☐
- New Investment to support the Programme of Work to 2028 ☐

Rationale for classification:

Unavoidable Commitment (Details of legally committed contracts, projects that have already commenced, committee approved etc)	
Asset Management Plan requirement (Provide details of links to corporate or service asset management plans etc and statutory basis for the project)	
New investment (Highlight the relevant Programme of Work themes)	

2. Financial Summary

Timescales:

Estimated Start Date	
Estimated Completion Date	

	Bid Profile					
	Year 1 (24/25) £000	*Year 2 (25/26) £000*	*Year 3 (26/27) £000*	*Year 4 (27/28) £000*	*Year 5 (28/29) £000*	*Total £000*
Estimated NLC Capital Investment requirement						
Estimated External Match Funding						
Total						

Please indicate if there's an expectation that the project will span beyond the current 5-year capital planning cycle:

	Bid Profile					
	Year 6 (29/30) £000	*Year 7 (30/31) £000*	*Year 8 (31/32) £000*	*Year 9 (32/33) £000*	*Year 10 (33/34) £000*	*Total £000*
Estimated NLC Capital Investment requirement						

Revenue implications associated with capital investment

Please outline any one-off or recurring revenue implications associated with proposed capital investment. Where possible quantify the impact and how your service proposes to fund any additional costs:

	Description of Impact	Value (£000)
Savings (i.e. reduced energy consumption, income generation)		
Costs (i.e. additional unbudgeted maintenance costs, increased staffing costs from creation of new facility)		

3. Key Deliverables

Financial Year	Targeted outputs for each financial year (i.e. number of window replacement projects; number of town centre sites regenerated; EUD refresh of estate etc)	Outcomes planned / anticipated for each financial year (i.e. impact of projects on overall condition of the school estate; improved occupancy of town centre sites / increased footfall; improved system and network performance / improved business continuity etc)
2024/25		
2025/26		
2026/27		
2027/28		
2028/29		

Monitoring and evaluation:

How will you demonstrate that the objectives, outputs and outcomes outlined above have been achieved / delivered?

Risk Impact

Audit Scotland guidance expects effective capital programme management to have robust risk management arrangements in place. This section will support the evaluation of each project and the contribution it makes to the Council's overall risk management framework.

Which corporate or service risks will the project help to mitigate?	
What risks are inherent in the project?	
What are the risks of not undertaking the project?	
How will the project's risks be managed?	

4. Programme of Work to 2028

This section will support the assessment of New Investment proposals in support of the Council's Programme of Work to 2028 Programme of Work to 2028.

Programme of Work	**Contribution the project / programme would make to the Programme of Work (Please provide an idea of the scale of impact on PoW 'Initial Actions', 'Health Check Indicators' and 'What will be achieved'**
Transforming Places	
Invest In North Lanarkshire	
Sustainable Futures	
Resilient People	
Brighter Futures	
Digital NL	
One Service	

5. **Public Sector Equality Duty and Fairer Scotland Duty**
Where the project / programme has an impact as a result of the Public Sector Equality Duty and / or Fairer Scotland Duty please provide a brief summary:

PSED and FSD Impact

Where there is an impact services should ensure that an assessment has been carried out and published in accordance with the Council's guidance.

6. **Additional information**
Please provide any additional information that may be relevant.

Additional information

Appendix C

Summary of Prudential and Treasury Management Indicators

1. Prudential Indicator: The Capital Expenditure Plans

The Prudential Code requires the Council to outline its capital expenditure plans taking into account the sources of funding available and also the cost to the Council in supporting any additional borrowing burden which will require to be paid for from the Council's own resources. The Government has power to control the level of prudential borrowing although no control has yet been implemented.

2. Prudential Indicator: Capital Financing Requirement (CFR)

The CFR is essentially a measure of Council's underlying borrowing need i.e. capital expenditure which is not resourced by capital grants, receipts or CFCR and any new borrowing will increase the CFR. The CFR includes long term liabilities representing outstanding leasing obligations and PPPs.

3. Prudential Indicator: Limits to Borrowing Activity

To ensure the Council operates its activities within well-defined limits it needs to ensure that it's total borrowing net of any investments, does not, except in the short-term, exceed the total of the CFR in the preceding year and the next two financial years.

4. Prudential Indicator: The Authorised Limit for External Debt.

This represents the maximum limit beyond which borrowing is prohibited. Although this limit is deemed to be affordable in the short-term, it is not desirable or a sustainable level of borrowing for the Council. This is the Affordable Borrowing Limit required under the Local Government (Scotland) Act 2003.

5. Prudential Indicator: The Operational Boundary for External Debt.

This indicator is based on the expected maximum external debt during the course of the year; it is not a limit. This operational boundary allows flexibility to borrow, re-invest and undertake debt restructuring during the course of the year. It is therefore possible and acceptable, for actual borrowing to vary around this boundary for short periods during the year.

6. Prudential Indicator: Affordability - Proportion of Financing Costs to Net Revenue Stream.

Within the prudential framework, prudential indicators are required to assess the affordability of the capital investment plans, providing an indication of the impact of the capital investment plans on the overall Council finances. Since capital expenditure impacts on the revenue budget through financing charges, the Council needs to ensure that financing costs not only remain affordable, but also do not constitute an excessive proportion of the revenue resources available.

7. Treasury Management Indicator: Interest Rate Exposures

The Treasury Management Code requires the Council to set limits regarding its maximum exposure to both fixed and variable interest rates, requiring the containment of Treasury activity within these self-determined upper limits. The Code requires authorities to set limits that manage risk and reduce the impact of an adverse movement in interest rates, primarily on variable rate loans.

8. Treasury Management Indicator: Maturity Structure of Borrowing

The Treasury Management Code requires the Council to specify upper and lower limits regarding the maturity structure of its fixed rate borrowing in order to minimise the risk associated with the Council having to replace large sums of fixed rate debt at a time when there may be uncertainty over interest rate exposure.

9. Treasury Management Indicator: Credit Risk

The Council will manage its credit risk by implementing the approved investment strategy.