

# North Lanarkshire Council Report

## Policy and Strategy Committee

approval  noting

Ref RS/EK/GT

Date 18/03/21

## PO12: Strategic Capital Investment Programme 2021/22 to 2025/26

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### 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 2021/22 to 2025/26.

The report highlights record levels of capital investment of over £500m over the next five years as the first phase of delivery of the Council's 20 to 30-year programme of place shaping transformation of North Lanarkshire's towns and communities. Alongside the record levels of investment in the Council's housing provision through the Housing Revenue Account, this represents potential investment of £1.2 billion in North Lanarkshire's towns and communities and will aid the recovery from the COVID-19 pandemic.

The report will:

- Detail the forecast level of resources,
- Detail proposed expenditure for 2021/22 to 2025/26,
- Explain the approach to prioritisation of the capital bids to develop the 5-year strategic capital investment programme, and
- Identify emerging issues and risks that may impact the strategic capital investment programme in future years.

### Recommendations

It is recommended that Committee:

- 1) Notes the process for the development of the 5-year strategic capital investment programme,
- 2) Notes resources available to fund the capital programme,
- 3) Approves the 5-year strategic capital investment programme, and
- 4) Authorises the Strategic Capital Delivery Group (SCDG) to amend the programme, where appropriate, and in accordance with its approved Terms of Reference to ensure the efficient and effective delivery of the programme.

### The Plan for North Lanarkshire

Priority All priorities

Ambition statement All ambition statements

## **1. Background**

- 1.1 The principles of the Council's capital investment programme are underpinned by the Capital Strategy that was approved at Policy and Strategy Committee in June 2019. The Capital Strategy aims to create an asset base that meets the shared ambition with the aspiration for North Lanarkshire to be the place to Live, Learn, Work, Invest and Visit.
- 1.2 The Council has adopted the Strategy in preparing the revised investment programme for 2021/22 to 2025/26. This ensures capital expenditure and investment decisions are taken in line with the Council's priorities, service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability.
- 1.3 The approved Capital Strategy also highlights the role and importance of the Council's Strategic Capital Delivery Group (SCDG) in ensuring the effective management, delivery and monitoring of capital projects. The SCDG is an officer working group comprising of senior officer representatives from key Council service areas and is chaired by the Executive Director of Enterprise and Communities.
- 1.4 The Council's previous 5-year capital programme from 2018/19 to 2022/23 was approved by Policy and Resources Committee in March 2018 with revised capital expenditure plans for the final 3 years (2020/21 to 2022/23) approved at Policy and Strategy Committee in March 2020.
- 1.5 Following the COVID-19 pandemic outbreak and the associated uncertainties over future capital funding allocations, the impact of wider economic factors and the challenges associated with COVID-19 response and recovery, SCDG agreed to review the remainder of the 2018/19 to 2022/23 capital programme.
- 1.6 The review produced two outcomes. Firstly, it was agreed to limit expenditure in the 2020/21 financial year to support essential and legally committed works only to limit current year financial risks to the Council given the uncertain funding position at that time. Importantly, the second outcome was that SCDG agreed to commence work on a revised 5-year capital investment programme from 2021/22 to 2025/26.
- 1.7 This new programme has greater alignment to the Plan for North Lanarkshire and associated Programme of Work and will be aligned to the review of Community Investment Fund scenarios presented to Policy and Strategy Committee in December 2020.
- 1.8 This 5-year strategic capital is the first phase of a longer-term investment programme for the Council to be delivered through the Enterprise Strategic Commercial Partnership.

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## **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 and prudential borrowing:

<b>Strategic Capital Investment Programme</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>Total</b>
<b>Forecast Available Resources</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Capital Grant	23,380	23,380	23,380	23,380	23,380	<b>116,900</b>
Community Investment Fund	42,374	51,592	41,762	67,028	57,974	<b>260,729</b>
Prudential Borrowing - Former SC21	22,646	51,834	31,232	14,494	0	<b>120,206</b>
Prudential Borrowing - Spend to Save	3,000	1,000	0	0	0	<b>4,000</b>
External Funding	5,752	1,191	6,560	1,386	0	<b>14,889</b>
Capital Receipts	1,000	1,000	1,000	1,000	1,000	<b>5,000</b>
<b>Total</b>	<b>98,151</b>	<b>129,998</b>	<b>103,934</b>	<b>107,288</b>	<b>82,354</b>	<b>521,724</b>

- 2.2 The Local Government Finance Settlement in January 2021 provides an indicative 1-year settlement for 2021/22 resources and from 2022/23 onwards government grant has been estimated. Single year settlements reduce the reliability of potential resource forecasting methodology 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 Council's Medium-Term Financial Plan 2021/22 to 2025/26, approved by Policy and Strategy Committee in October 2020, makes allowance for funding to support capital investment for the previously approved Schools Modernisation Programme and for the Council's share of City Deal investment. Given the ongoing pressures on the Council's revenue resources, no additional borrowing has been assumed in support of the capital programme. However, the capital programme does propose £4.000m of investment in LED lighting on a spend to save basis.
- 2.4 The Council is forecast to receive £14.889m in external funding opportunities. This is formed from projected developer and partner contributions for town and community hub proposals and specific capital grant support for 1140 early learning and childcare expansion and support from other external bodies.
- 2.5 Given the previous decision at Policy and Strategy Committee in June 2019 to utilise capital receipts to support the Council's ongoing Change Management Fund requirements, only limited capital receipts of £1.000m per annum have been included within the forecast resources available in the 2021/22 to 2025/26 strategic capital investment programme. Any capital receipts in addition to this sum will be transferred to the Council's Capital Fund and consideration given thereafter to the most appropriate use of additional funds.
- 2.6 Furthermore, given the SCDG's effective management of the Council's capital programme activity, no allowance has been made for over-programming. Members will recall that an over-programming allowance was included in the previous 5-year programme to assist with the management and delivery of the programme, in recognition that in year expenditure may be less than anticipated due to unavoidable delays in some large-scale capital projects. The success of SCDG in managing the

capital programme since its inception means that no overprogramming allowance is required.

### **Forecast Resources – Community Investment Fund**

- 2.7 The overall forecast resources from Community Investment Fund (CIF) are reflective of the pessimistic scenario presented to Policy and Strategy Committee in December 2020. Given the longer term nature of CIF programme delivery, investment funded through CIF income generation has been smoothed to match the expenditure profile of proposed investment priorities.
- 2.8 Importantly, the pessimistic scenario assumes that Elected Members continue to ring-fence 1% of future Council Tax rises to support the Community Investment Fund. Failure to agree this assumption in any one year would reduce resources available by around £37.000m and would require equivalent reductions in capital investment opportunities. Alternatively, around £1.7m of additional revenue savings would be required to maintain the capital programme at approved levels (equating to one year of lost Council Tax contribution plus the compounded impact in future years).
- 2.9 A key part of the Community Investment Fund programme of work is an annual review of CIF assumptions and projections. In the event that additional CIF funding becomes available this will be considered by the Council's SCDG in line with its Terms of Reference and ensuring compliance with the principles of the Council's Capital Strategy.

### **Programme Development**

- 2.10 The strategic capital investment programme has been developed in conjunction with Services and led by the Strategic Capital Delivery Group (SCDG) using the principles established by the Council's Capital Strategy.
- 2.11 Services submitted capital bids to the SCDG using a standard template to evidence alignment with Council priorities. Services were asked to categorise capital bids as follows:
- Unavoidable Commitment
  - Asset Management Plan Priority
  - New Investment
- 2.12 The scale of ambition of individual services was apparent from the value of bids submitted. Against available resources of £522m, bids totalling £838m were submitted by Services so with that level of over-subscription the SCDG has been required to match available resources to projects and themes prioritised through the scoring model.
- 2.13 The capital bids were assessed and prioritised using a scoring model similar to that used in the Council's previous capital programme with the inclusion of some additional factors including, for example, key ambition / vision and sustainability etc. The factors and associated weightings are highlighted in the following table:

Scoring Criteria	Weighting (%)
<b>NLC Priority Outcomes:</b>	
1. Improve economic opportunity and outcomes	20
2. Support all children to realise their full potential	15
3. Improve the health and wellbeing of our communities	15
4. Enhance participation, capacity, and empowerment across our communities	15
<b>Additional criteria:</b>	
5. Financial sustainability (recurring revenue savings vs costs)	10
6. Key ambition / vision	5
7. Deliverability (including assessment of risk)	5
8. Environmental sustainability (asset footprint, carbon reduction, rationalisation opportunities)	10
9. Asset management planning priority	5
<b>Total</b>	<b>100</b>

- 2.14 The scoring process also included an assessment of unavoidable commitments. Unavoidable commitments were defined as those that had already commenced or been committed as a result of a committee decision but not fully funded within the current capital programme or those of strategic importance. These projects were top sliced from the available resources, with the remaining bids assessed in accordance with their relative weighted score against the criteria identified above and matched with the funding remaining.

#### **Strategic Capital Investment Programme**

- 2.15 The outcome of the process outlined above is the following strategic capital investment proposal, set out by individual service area and with indicative phasing over the five year period:

Phasing By Service Area	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£000	£000	£000	£000	£000	£000
Planning and Regeneration	3,674	9,349	4,865	2,460	27,960	<b>48,308</b>
Asset and Procurement Solutions	24,718	26,020	15,468	12,776	11,764	<b>90,746</b>
Asset and Procurement Solutions - Town and Community Hubs	22,392	59,384	59,012	72,400	23,642	<b>236,829</b>
Environmental Assets	23,861	16,151	14,736	9,956	8,817	<b>73,521</b>
Regulatory Services and Waste Solutions	8,258	3,758	2,638	3,919	4,076	<b>22,648</b>
Communities	1,500	1,500	1,500	1,500	1,500	<b>7,500</b>
Housing Property and Projects (non-HRA)	100	100	100	100	100	<b>500</b>
Adult Social Care	2,200	2,200	2,200	2,200	2,200	<b>11,000</b>
Business Solutions	11,448	11,536	3,415	1,977	2,295	<b>30,671</b>
<b>Total</b>	<b>98,151</b>	<b>129,998</b>	<b>103,934</b>	<b>107,288</b>	<b>82,354</b>	<b>521,724</b>

- 2.16 This programme delivers significant capital investment in North Lanarkshire's communities and represents a significant increase on the £213.397m programme approved for the 2018/19 to 2022/23 period (144% increase).
- 2.17 This level of additional investment in North Lanarkshire's communities over the next five years will support the recovery from the COVID-19 pandemic and support the creation and maintenance of jobs. This level of commitment to capital investment also ensures the Council can demonstrate to communities that the place making visions for towns remains a priority, and that the Council considers this 5-year capital investment plan to be a major boost to assist the recovery of the local economy. It is also a clear statement that the Council is planning beyond the pandemic to deliver on the long-term needs and aspirations of communities.
- 2.18 In line with the SCDG Terms of Reference, the programme outlined above and in Appendices 1 and 2 will remain under continual review as the programme evolves and will be subject to an annual report to Policy and Strategy Committee outlining amendments to the programme to reflect changes in priorities and / or changes in the resources available.

#### **Additional Capital Investment**

- 2.19 **Town and Community Hubs**  
At Policy and Strategy Committee in March 2020 the Council approved the guiding principles to be adopted and used to further develop the design proposals for Town and Community Hubs. In addition, this report also approved the prioritisation matrix to be used as the methodology to determine the priority order for development. These principles will guide the delivery of the first phase of the hub programme which will be reported to a future committee meeting.
- 2.20 **Learning Estate Improvement Programme**  
The Council has so far been unsuccessful in bids for funding for Phases 1 and 2 of the Scottish Government's Learning Estate Improvement Programme (LEIP). Officers will continue to seek opportunities to lever additional funding from this national programme to augment the Council's own investment in Town and Community Hub principles. The proposed allocation of funding within the Strategic Capital Investment Programme is sufficient to provide match funding in support of a bid to LEIP in future funding phases.
- 2.21 **Additional external grant funding**  
The strategic capital investment programme includes known specific grant funding only. Many of these programmes such as Vacant and Derelict Land, Town Centre Fund and support from partners such as Strathclyde Partnership for Transport are dependent on annual award rounds or applications for specific projects. As such no projections have been made for these funding streams. The receipt of additional funding will be considered by SCDG on an ongoing basis.
- 2.22 **City Deal**  
The City Deal programme will deliver significant transport infrastructure to improve connectivity across Lanarkshire. The Council has previously agreed to fund its member authority share of investment from additional prudential borrowing. This element of pre-approved expenditure is excluded from the figures noted in paragraphs 2.1 and 2.15 but included within the expenditure profile outlined in Appendix 1.
- 2.23 **Housing Revenue Account Capital Investment**  
While this report focuses on the Council's General Fund capital programme, Members should be aware of the record levels of investment in the Council's current and future housing stock. The updated 5-year mainstream HRA capital programme from 2021/22

to 2025/26 presented to Housing and Regeneration Committee indicates investment in the Council's current housing stock of £353.941m. In addition, the new build and buy back schemes are worth around £40m per annum, potentially adding a further £200m of capital investment in local communities.

### **Review of Capital Strategy**

- 2.24 In accordance with Prudential Code requirements, the Council carries out ongoing reviews of the Capital Strategy. The main principles outlined and adopted within the Strategy remain unchanged. The proposed Strategic Capital Investment Programme contained within this report will reset the forecast funding and expenditure for future iterations of the Capital Strategy.

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## **3. Equality and Diversity**

- 3.1 **Fairer Scotland Duty**  
There are no specific Fairer Scotland impacts in this report, however, individual capital projects may be required to complete an assessment.
- 3.2 **Equality Impact Assessment**  
There are no impacts from this report, however, individual capital projects may be required to complete an assessment.

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## **4. Implications**

- 4.1 **Financial 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 be presented to Finance and Resources Committee and individual service committees throughout the 5-year programme.
- 4.2 **HR/Policy/Legislative Impact**  
There are no HR/Policy/Legislative impacts as a result of this report.
- 4.3 **Environmental Impact**  
There is no specific Environmental Impact as a result of this report.
- 4.4 **Risk Impact**  
Through SCDG the Council will be managing ongoing risk 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 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 increases costs or reduced outcomes.
  - The potential for significant variation in forecasting of resource availability. Inherent in these projections is a degree of risk associated both with the availability of Scottish Government General Capital Grant and resources available through the Community Investment Fund (as highlighted in paragraph 2.8).
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**5. Measures of success**

- 5.1 The Strategic Capital Delivery Group will continue to monitor the performance of the capital programme and liaise with officers, CMT and members to ensure completion of the programme in line with available resources.

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**6. Supporting documents**

- 6.1 Appendix 1 – Proposed Strategic Capital Investment Programme 2021/22 to 2025/26



**Robert Steenson**  
Executive Director, Enterprise and Communities



## Proposed Strategic Capital Investment Programme – 2021/22 to 2025/26

Project / Theme	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£000	£000	£000	£000	£000	£000
<b>Asset and Procurement Solutions</b>						
Maintaining Existing Assets - windows, re-roofing, re-wiring and condition survey works for the Council's building assets	8,283	7,138	6,820	5,932	5,503	33,676
Carbon Management	1,600	1,600	1,600	1,600	1,600	8,000
Office Rationalisation	770	791	741	244	200	2,745
Shared Campus	1,160	7,695	145	0	0	9,000
Leisure Development	704	819	500	500	551	3,074
Health & wellbeing and digital classrooms	317	244	225	217	217	1,218
Rationalisation including ASN & Social Work	2,199	1,593	833	280	204	5,109
Curriculum Development	401	800	400	0	0	1,601
Sustainable Estate	402	1,990	912	810	605	4,719
Outdoor Education and Outdoor Spaces	760	108	321	241	0	1,430
Future Capital Receipts Investment	470	670	370	320	220	2,050
Design Fees	1,502	1,533	1,563	1,594	1,625	7,818
1140 Early Learning and Childcare Expansion	5,149	39	39	39	39	5,305
Demolitions	1,000	1,000	1,000	1,000	1,000	5,000
<b>Sub-Total Asset and Procurement Solutions</b>	<b>24,718</b>	<b>26,020</b>	<b>15,468</b>	<b>12,776</b>	<b>11,764</b>	<b>90,746</b>
<b>Town and Community Hubs</b>						
Town and Community Hubs - development of campus sites across North Lanarkshire in consultation with local communities	22,392	59,384	59,012	72,400	23,642	236,829
<b>Total Town and Community Hubs</b>	<b>22,392</b>	<b>59,384</b>	<b>59,012</b>	<b>72,400</b>	<b>23,642</b>	<b>236,829</b>

Project / Theme	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£000	£000	£000	£000	£000	£000
<b>Environmental Assets</b>						
Infrastructure and Transportation improvements, major maintenance and development including traffic signals, pedestrian crossings, active travel, bridge, drainage and flood risk management	5,194	3,926	3,489	2,427	2,491	17,526
Cemeteries Infrastructure	2,310	515	1,000	955	205	4,985
Road Asset Management including street lighting, road improvements and gateway signage	12,134	9,959	7,644	4,059	4,059	37,855
Drumbreak Marsh River Restoration Project (SEPA Funding)	2,080	0	0	0	0	2,080
Play area equipment and surface renewal	150	150	150	150	150	750
Bin rationalisation project and replacement	800	25	25	25	25	900
Environmental Assets replacement of plant and machinery	755	482	765	467	442	2,911
Parks Masterplan	439	1,094	1,663	1,873	1,445	6,514
<b>Sub-Total Environmental Assets</b>	<b>23,861</b>	<b>16,151</b>	<b>14,736</b>	<b>9,956</b>	<b>8,817</b>	<b>73,521</b>
<b>Regulatory Services and Waste Solutions</b>						
Contaminated land and pollution control	338	349	360	372	384	1,804
Vehicle replacement programme	2,415	3,304	2,172	3,442	3,586	14,919
Depot rationalisation and investment	5,400	0	0	0	0	5,400
HWRC equipment	105	105	105	105	105	525
<b>Sub-Total Regulatory Services and Waste Solutions</b>	<b>8,258</b>	<b>3,758</b>	<b>2,638</b>	<b>3,919</b>	<b>4,076</b>	<b>22,648</b>

Project / Theme	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£000	£000	£000	£000	£000	£000
<b>Planning and Regeneration</b>						
Town Centre Regeneration	3,659	9,334	4,865	2,460	1,360	21,678
City Deal - East Airdrie Link Road	0	0	0	0	9,000	9,000
City Deal - Ravenscraig Infrastructure Access	0	0	0	0	17,600	17,600
Antonine Wall Project	15	15	0	0	0	30
<b>Sub-Total Planning and Regeneration</b>	<b>3,674</b>	<b>9,349</b>	<b>4,865</b>	<b>2,460</b>	<b>27,960</b>	<b>48,308</b>
<b>Communities</b>						
Community Board Project Investment Fund	1,500	1,500	1,500	1,500	1,500	7,500
<b>Sub-Total Communities</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>7,500</b>
<b>Housing Property and Projects (Non-HRA)</b>						
Water Quality Management	100	100	100	100	100	500
<b>Sub-Total Housing Property and Projects</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>500</b>
<b>Total Enterprise and Communities</b>	<b>84,503</b>	<b>116,262</b>	<b>98,319</b>	<b>103,111</b>	<b>77,859</b>	<b>480,053</b>

Project / Theme	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£000	£000	£000	£000	£000	£000
<b>Adult Social Care</b>						
Equipment and Adaptations	2,200	2,200	2,200	2,200	2,200	11,000
<b>Total Adult Social Care</b>	<b>2,200</b>	<b>2,200</b>	<b>2,200</b>	<b>2,200</b>	<b>2,200</b>	<b>11,000</b>
<b>Chief Executive's - Business Solutions</b>						
Application Refresh - Renewal of end of life applications and / or expiration of existing contracts for key Council technology solutions i.e. telephony to reflect home working and enhanced security	902	1,469	232	318	185	3,105
Application Upkeep - standard upgrade and lifecycle management of key Council technology	624	457	403	20	20	1,524
End User Devices - Device refresh programme, including Public Access Computing, to ensure compliance with application vendor and external body requirements	1,588	636	540	344	1,334	4,441
Infrastructure - Delivery of ambition of a world class digital infrastructure in North Lanarkshire and maintenance of key components of Council digital infrastructure (i.e. wireless solutions, server hardware etc)	3,207	8,427	2,085	1,140	605	15,463
Innovation - Delivery of DigitalNL Transformation Programme investment	5,128	548	156	156	151	6,138
<b>Total Chief Executive's - Business Solutions</b>	<b>11,448</b>	<b>11,536</b>	<b>3,415</b>	<b>1,977</b>	<b>2,295</b>	<b>30,671</b>
<b>TOTAL GENERAL SERVICES CAPITAL PROGRAMME</b>	<b>98,151</b>	<b>129,998</b>	<b>103,934</b>	<b>107,288</b>	<b>82,354</b>	<b>521,724</b>
City Deal Programme (previously approved)	7,324	19,128	29,453	53,838	54,425	164,169
HRA Mainstream Investment Programme (previously approved)	76,879	73,293	71,372	66,188	66,208	353,940
HRA New Supply (based on 2020/21 investment levels)	40,663	40,663	40,663	40,663	40,663	203,315
<b>TOTAL COMMUNITY INVESTMENT</b>	<b>223,017</b>	<b>263,082</b>	<b>245,422</b>	<b>267,977</b>	<b>243,650</b>	<b>1,243,148</b>