



North Ayrshire Council
Comhairle Siorrachd Àir a Tuath

Capital Investment Strategy 2024 to 2034



Introduction

The Capital Investment Strategy for North Ayrshire Council provides an overview of how capital expenditure plans, capital financing and treasury management activity contribute to the infrastructure and provision of services for the benefit of North Ayrshire communities and citizens. This refreshed strategy takes a long-term view and covers the period from 2024 to 2034. This is aligned to the Capital Investment Programme.

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

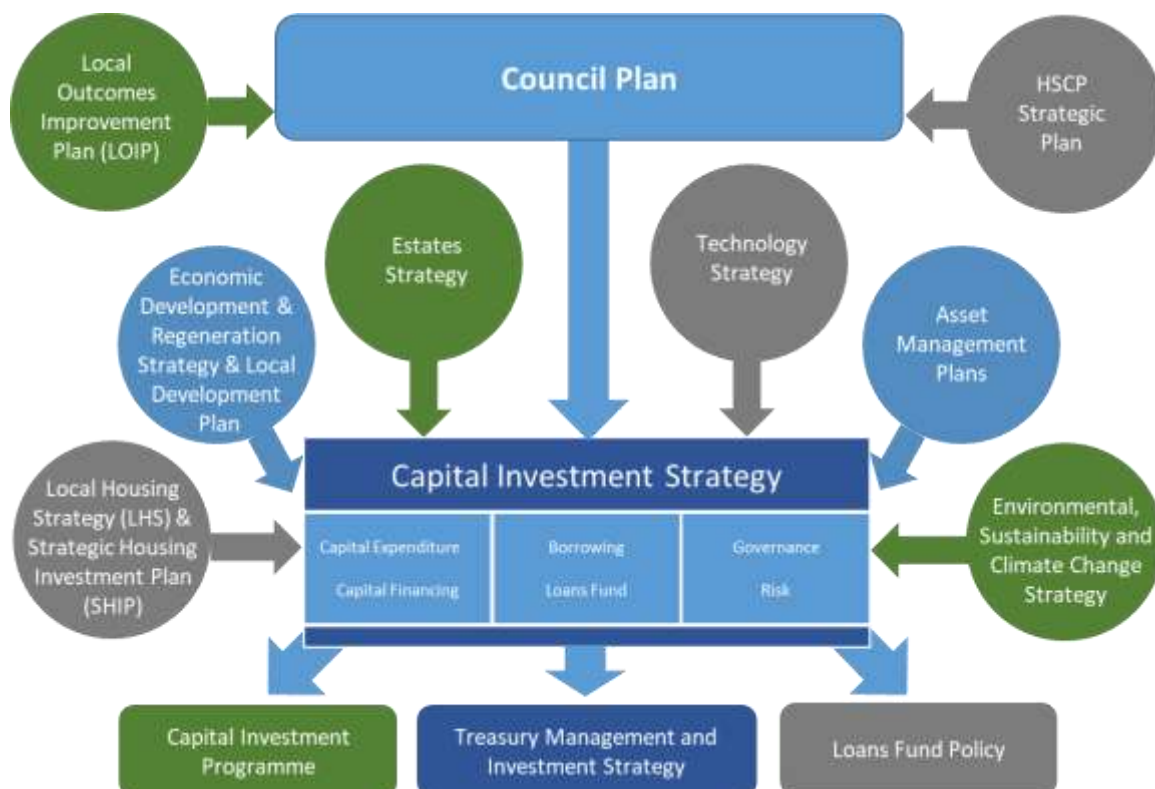
- Ensuring that capital plans are aligned to the strategic priorities as set out in the Council Plan.
- Ensuring that capital plans are affordable, prudent and sustainable.
- Demonstrating the linkage to local strategic planning and local asset management planning.
- Ensuring that financing decisions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

Background

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

Throughout 2023/24 the wider construction industry has reported significant, ongoing inflationary pressures linked to a number of factors, including additional costs as an ongoing consequence of the Covid-19 pandemic; upward pressure on input costs linked to international externalities such as ongoing global conflicts and its impact on global supply chains; material and labour shortages; and increased demand linked to reduced contractor availability. This has resulted in the identification of increased cost risks in relation to a number of our investment priorities

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



The primary purpose of the Capital Investment Strategy is to provide an overarching view of how various plans and strategies inform capital investment and to

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

Plans and strategies

Council Plan 2023 to 2028

The mission for North Ayrshire Council is **“Working together to improve the lives of our people in North Ayrshire.”** To deliver on this mission four key strategic priorities, outlined below, have been developed to direct plans now and into the future.



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

Community Planning Partnerships and Local Outcomes Improvement Plan

The North Ayrshire Community Planning Partnership is a partnership across a wide range of organisations. The Local Outcomes Improvement Plan 2022 – 2030 provides a commitment by all partners to North Ayrshire communities and citizens across three main priority areas:



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

- Wellbeing:
 - Improving our mental health and wellbeing
 - Improving access to financial services
 - Increasing social inclusion
 - Addressing social isolation
 - Improving community wellbeing
 - Improving access to facilities and amenities/regenerating community facilities
 - Affordable Housing
- Work:
 - Alleviating poverty and promoting equality of access to opportunities
 - Supporting skills and work opportunities
 - Promoting the local economy and tourism
 - Work and local community

- World:
 - Improving our local environment
 - Championing green health and the natural environment
 - Moving around
 - Transport
 - Increasing civic pride and community engagement

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

Health and Social Care Partnership Strategic Commissioning Plan 2022 to 2030

The North Ayrshire Health and Social Care Strategic Plan 2022 to 2030 was developed through engagement and collaboration with local people, service users, members of staff and other key stakeholders. It sets out our long-term ambitions for improving the health and wellbeing of everyone who lives in North Ayrshire.

The 2022 to 2030 plan continues the existing vision that **“all people who live in North Ayrshire are able to have a safe, healthy and active life”** and to achieve this the HSCP focuses on key priorities:



Asset Management Plans

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

- Open Space
- Property
- Fleet, Plant and Equipment
- Roads, Structures and Lighting
- ICT
- Housing

The Council's assets play a key role in the delivery of a wide range of essential services to our local communities, contribute to regeneration and help drive economic growth. The plans set out clear actions and include details of lifecycle

investment costs required to maintain assets and infrastructure to an appropriate standard that supports service delivery. The plans are updated on an annual basis and chief officers across all Directorates hold the responsibility for maintaining the plans and reporting progress to the Council's Cabinet on a bi-annual basis.

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

- **Fleet and Plant:** Around 570 vehicles and items of plant.
- **Roads:** Over 1000 Kilometres of roads
- **Structures:** Around 400 bridges and structures
- **Council Houses:** Around 13000 council houses
- **Education:** 63 schools and early years facilities
- **Social Care:** 21 social care facilities
- **Street Lighting:** over 23000 street lighting columns
- **Operational Buildings:** over 70 offices, libraries and community centres

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

- Roads, structure and lighting
 - Planned investment of **£112.8 million** until 2033 to 2034 including improvements to the roads and street lighting network, upgrading of the B714, flood prevention works at Upper Garnock and Millport and bridges infrastructure improvement
- Fleet, plant and equipment
 - Procurement and maintenance of all council fleet vehicles and plant ensuring the fleet of 566 vehicles and heavy plant are maintained and operated in accordance with the council's Operator's licence and Road Transport legislation.
 - Prioritisation of emissions reductions through decarbonisation of vehicle fleet.
 - Vehicle and plant capital investment is planned at **£25.9 million** until 2033 to 2034.
- Property:
 - To ensure council properties meet all legislative requirement and they are sustainable, energy efficient and maintained to a high standard as well as ensuring the physical environment is able to support mobile and flexible work programmes.
 - Investment is planned at **£18.6 million** until 2033 to 2034.
 - It is also recognised that through the Estates Strategy further rationalisation and remodelling will continue to be progressed on a locality by locality basis, with capital receipts incorporated into the capital programme.
- Housing:
 - Underpinned by the Local Housing Strategy, the Strategic Housing Investment Plan and the 30 Year Housing Revenue Account Business Plan, responsibility for maintenance of around 13000 council houses, ensuring legislative compliance and meeting the needs of tenants.

- In addition, delivery of an ambitious house building and improvement programme over the period 2024 to 2025 until 2028 to 2029 will see capital investment by the council total **£352 million**.
- ICT:
 - The Technology Strategy sets out how ICT supports service delivery and transformation.
 - Significant changes to our ICT infrastructure have been reflected in the ICT Asset Management Plan.
 - To deliver on the six key principles as outlined in the Technology Strategy **£5.6 million** investment until 2033 to 2034 is planned.
- Open Spaces:
 - The service maintains 2410 hectares of public open space, a Country Park, 14 local parks, 44 cemeteries and burial grounds, 37 war memorials and monuments, 366 hectares of woodlands, three allotments, 91 sports facilities and playing fields, 84 equipped play areas and 12 multi-use games areas, residential greenspace, 38 water courses and open water features, five promenades and 16 beaches, three of which are Sites of Special Scientific Interest.
 - The majority of investment is delivered through the Place service revenue budget, however specific capital investment of **£2.4 million** is planned until 2033 to 2034 for cemetery infrastructure.

Local Housing Strategy 2023 to 2028 and Strategic Housing Investment Plan 2024 to 2029

The Local Housing Strategy sets out the council’s ambition: **‘We want all our people to live in the right homes, in great places, with access to any support services they need’**.

The strategy mirrors the format of Scotland’s first 20 year housing strategy, [Housing to 2040](#) and sets out four overarching outcomes which align to the four key strategies in Housing to 2040:

Housing to 2040 Strategy	Local Housing Strategy Outcome
More homes at the heart of great places	Our places support thriving and inclusive communities
Affordability and choice	Our people have affordable homes in the place they choose to live
Affordable warmth and zero emission homes	Our homes are energy efficient and release less emissions

Housing to 2040 Strategy	Local Housing Strategy Outcome
Improving the quality of all homes	Our homes are in good condition and people can access any support services they need

The Strategic Housing Investment Plan is an extension of, and aligns to, the Local Housing Strategy, supporting the objectives of the Council Plan.

The Strategic Housing Investment Plan also aligns with the Council's Community Wealth Building Strategy and supports the North Ayrshire Child Poverty Action Plan 2022 to 2023. Access to good quality and affordable housing is a key asset in addressing child poverty, and poverty overall.

The SHIP will secure investment in a total of 1,302 properties across North Ayrshire and provide sustainable, affordable, accessible high-quality homes which will contribute to the wider regeneration aims for the area. The Council projects in the SHIP represent investment of £194.464 million (including an estimated £78.07 million Scottish Government grant funding). Developments continue to be progressed across all six localities: Arran, Garnock Valley, Irvine, Kilwinning, North Coast and Three Towns.

Public sector investment can have a transformational impact for communities, and the Council explores site and area specific opportunities with partners to secure maximum regeneration benefits. This supports the ambitions of the Council's Regeneration Delivery Plan to drive forward place-based development on strategic regeneration sites, including town centres. Several SHIP projects completed to date are within, or near, town centres. The plan supports major housing led regeneration including the replacement of the 275 homes in the Fullarton tower blocks in Irvine and the provision of funding to assist the delivery of Housing's Estate Based Regeneration Programme.

The Strategic Housing Investment Plan prioritises new social housing developments which include the provision of outdoor green space, and which support the principles of 20-minute neighbourhoods, where feasible. Developments are also planned utilising 'secure by design' principles.

The Council and its partners recognise that bringing former social housing stock into ownership can assist with housing management and maintenance issues and increase housing available through the North Ayrshire Housing Register. All developing registered social landlord partners with stock in North Ayrshire now have provision for buyback programmes in the SHIP.

New housing has a key role to play in carbon reduction, climate change mitigation, and in the alleviation of fuel poverty. The Council and its partners will continue to consider innovative and sustainable approaches to heat and power, such as low carbon heat, solar photovoltaic panels and smart technologies. The Council recognises that a 'fabric first' approach to sustainability can provide benefits to

tenants, in terms of reducing heating costs. This investment aligns to the Council's Environmental Sustainability and Climate Change Strategy in supporting affordable warmth to households across North Ayrshire. Developments will also be designed to promote sustainable travel.

All amenity and sheltered housing in North Ayrshire should be built to an ambulant housing standard as a minimum. To ensure need is met now and in the future, the new Local Housing Strategy increased the target to ensure at least 10% of all tenure new build stock is suitable for wheelchair users (increased from 7% in the previous strategy).

Officers within the Place Directorate and the Health and Social Care Partnership developed a new supported accommodation housing model which has been implemented at sites across North Ayrshire to maximise tenant independence

The Local Housing Strategy recognises that the proportion of older people in North Ayrshire is higher than that of Scotland as a whole. The SHIP estimates the delivery of a further 311 amenity homes and 28 sheltered housing units. Alongside the new build programme, the Council will continue to deliver its sheltered housing re-provisioning programme, which includes £25 million investment in the refurbishment of sheltered housing units out with the SHIP.

Regeneration Delivery Plan and Local Development Plan

The Regeneration Delivery Plan sets out our priorities for delivering on the regeneration ambitions of the Council Plan and Community Wealth Building strategy, working in partnership with communities. The Plan focuses on the delivery of physical regeneration across North Ayrshire through an ambitious project-based rolling action programme. The Regeneration Delivery Plan focuses activity around the four key regeneration themes:



The Local Development Plan was adopted in November 2019 and aligns to the themes set out in the Regeneration Delivery Plan, it brings a targeted local context in guiding development and investment in North Ayrshire over the next 20 years. The focus is supporting and growing the business base across key sectors including manufacturing, engineering, life sciences, tourism and hospitality and regenerating towns and communities. The overarching aim of the plan is to deliver the Community Planning Partnership vision of a "Better Life" to the citizens and communities of

North Ayrshire. The plan outlines the land use strategy that supports delivery of the Local Outcomes Improvement Plan 2022 to 2030 and focuses on four key strategic policies:



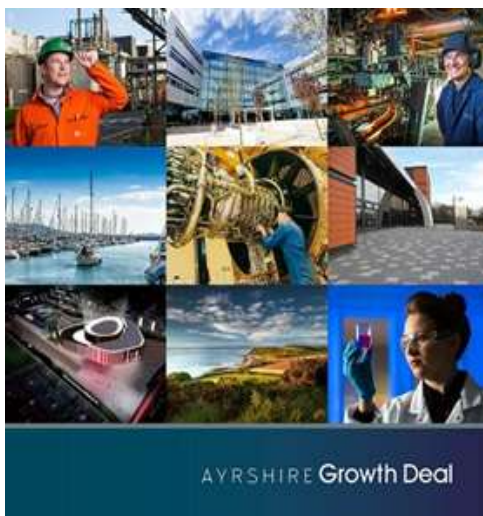
The Spatial Strategy is an overarching policy for supporting the Local Outcomes Improvement Plan. This directs development to towns and villages to support communities, the economy and environment, while recognising the value that the countryside and coastal areas offer both as natural resources worthy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

The Placemaking policy supports the Local Outcomes Improvement Plan by ensuring that all development contributes to making quality places. This is measured by six qualities that define a successful place:



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

Hunterston	Ardrossan Harbour and North Shore	i3 - Irvine	Montgomerie Park, Irvine
Kilbirnie	Irvine Harbourside	Brodick	Cumbræ-Millport



Working in partnership with the UK and Scottish Government and East Ayrshire and South Ayrshire councils, the Ayrshire Growth Deal will regenerate the region through investment in strategic infrastructure across various sectors, including life sciences, tourism, manufacturing and aerospace, with total investment of over £251.5 million. From a North Ayrshire perspective and to support investment into the strategic development areas, including the Ayrshire Growth Deal and wider economic regeneration activity, the Capital Investment Programme from 2024/25 to 2033/34 includes planned investment of £70.6 million.

Finally, our Community Wealth Building Strategy helps to develop resilient, inclusive local economies, with more local employment and a larger and more diverse business base, ensuring that wealth is locally owned and benefits local people. All capital and revenue investment will be considered within the context of the

Community Wealth Building Strategy, with maximising opportunities for local suppliers through procurement a key priority and pillar of the strategy.

Technology Strategy

The Technology Strategy was approved by North Ayrshire Council in August 2021 and sets out the vision, principles and key technologies that will support transformational change across North Ayrshire Council. Solutions will be designed in partnership to improve processes, service delivery and collaboration and ultimately improve outcomes. The six key Technology Strategy principles are:

Principle	Detail
Deliberately designed	Holistic view of the business and deliver efficient, effective and agile solutions
People at the Core	Solutions built around the needs of the customers and people
Anytime, anywhere access	Access to systems, applications and information wherever they are
Cloud where appropriate	Utilise cloud based technologies where appropriate
Data driven	Utilise data to effectively inform our decision making
Secure by design	Operate securely whilst still taking advantage of technology innovations

Office 365 has been a transformative technology, enabling agile working and simplifying collaboration. The ICT Asset Management Plan incorporates the technology principles and, in terms of investment, a total of £5.6 million is planned until 2033 to 2034 to deliver technology solutions aligned to this strategy. From a financial planning perspective, it is also recognised the shift from capital financing to revenue through software as a service, will lead to a remodelling of the way in which ICT investment is funded.

Estates Strategy

The key objective of North Ayrshire Council's Estate Strategy is to achieve rationalisation and remodelling of the Council's property portfolio on a locality basis.

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

Through rationalisation of the Council's property portfolio, a key funding component to support the capital programme and provide flexibility in the Council's Revenue account, is the generation of capital receipts. Anticipated income from land and property capital receipts planned to support the capital programme totals £4.1 million until 2033 to 2034.

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

General Fund Capital Investment Programme

North Ayrshire Council takes a long-term approach to capital investment, covering a 10 year period. The plan is updated annually and 2024 to 2025 represents year one of the 10 year plan. A full refresh is undertaken every three years. The current Capital Investment programme is aligned to the strategic priorities as set out in the Council Plan and is the product of the various plans and strategies which impact on the assets and infrastructure of North Ayrshire Council. Through the Community Planning Partnerships and the Local Development Plan there is also clear linkage to local strategic planning and local asset planning.

Total capital investment of £406.5 million from the Council's General Fund is planned over the period from 2024 to 2025 until 2033 to 2034, supporting the three key strategic priorities from the Council Plan. The three strands of the Council Plan are Aspiring Communities, Inspiring Place and A Council for the Future. This includes planned expenditure of £70.6 million towards the Ayrshire Growth Deal to 2033 to 2034. It is recognised that the total level of investment across Ayrshire will be in the region of £251.5 million (including £103 million commitments from both the UK and Scottish Governments).

The capital plan includes £117.7 million planned investment in Education. The major areas of education investment include:

- **£9.6 million** to Universal school meals expansion
 - Improvements to current kitchen and dining facilities across the school estate to create capacity for the anticipated uptake.
- **£80.2 million** for the Ardrossan Campus
 - New build project as part of an exciting wider community facility development.
- **£13 million** for the Montgomerie Park school
 - New primary provision linked to Montgomerie Park regeneration project and housing developments.
- **£8.9 million** to schools ICT investment
 - Investment on ICT equipment within the school estate.



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



It is also recognised that investment in education contributes to and can be integrated within wider economic development and regeneration within the localities and this is reflected in the nature of the planned developments for Ardrossan Academy and Montgomerie Park school. Through stakeholder engagement, effective cross Directorate working within North Ayrshire Council and collaboration with other

agencies including the Scottish Government, these new developments combine education provision with community facilities, residential, respite and housing provision as part of a wider focus on economic regeneration.

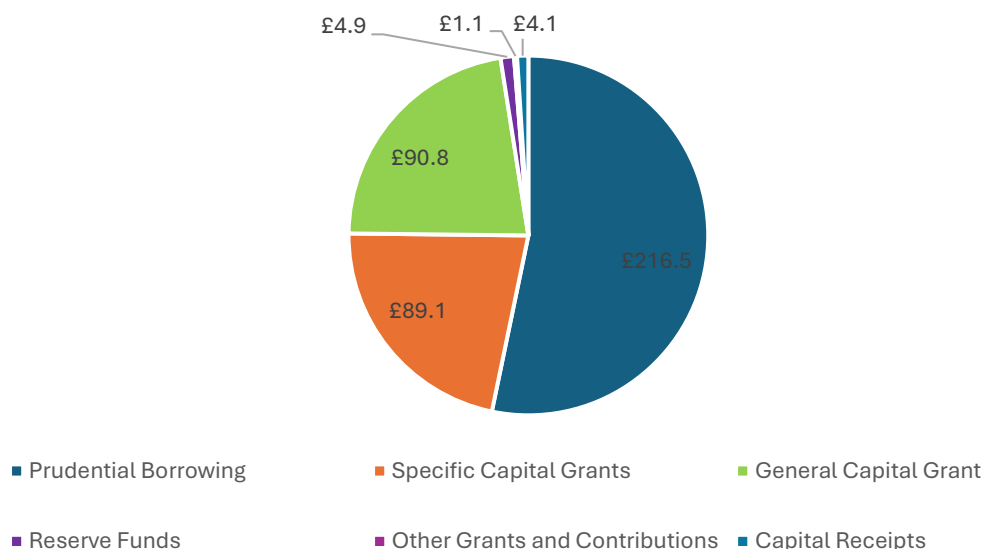
Investing in core assets and infrastructure is key to ensuring sustainability. A planned investment of £112.8 million within Roads, Structures and Lighting includes £38.0 million road improvements, £22 million on flood prevention works and £29.6 million on the upgrading of the B714 following a successful application to the UK Governments Levelling Up Fund. Property lifecycle investment of £11.2 million, to support the property asset management plan, will ensure Council properties continue to be maintained to the appropriate standards in delivering services to citizens and communities. The plan includes investment in several key programmes of regeneration within North Ayrshire and, in respect of the Ayrshire Growth Deal, on a wider pan Ayrshire basis.

The Capital Investment Programme 2024 to 2025 to 2033 to 2034 sets out the ambition of North Ayrshire Council and supports the key strategic themes of the Council Plan. Through investment that supports regeneration and delivers first class education and community facilities, this strategic approach will help grow the population and the local economy. It is also recognised that key to a sustainable environment is the requirement to continue to invest in core assets and infrastructure.

Funding the Capital Investment Programme

Funding the Capital Investment Programme requires to be planned in an affordable and sustainable manner. The funding sources to support delivery of the £406.5 million capital investment programme to 2033/34 include:

Funding the Capital Investment Programme £406.5million



The major sources of funding include assumptions on the level of general capital grant from Scottish Government to 2033 to 2034 (£90.8 million) and the level of prudential borrowing (£216.5 million) required. The cost of borrowing is included

within the Council's revenue budget process through the Medium-Term Financial Plan and the impact of borrowing is included as part of the Council's Treasury Management and Investment Strategy.

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

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

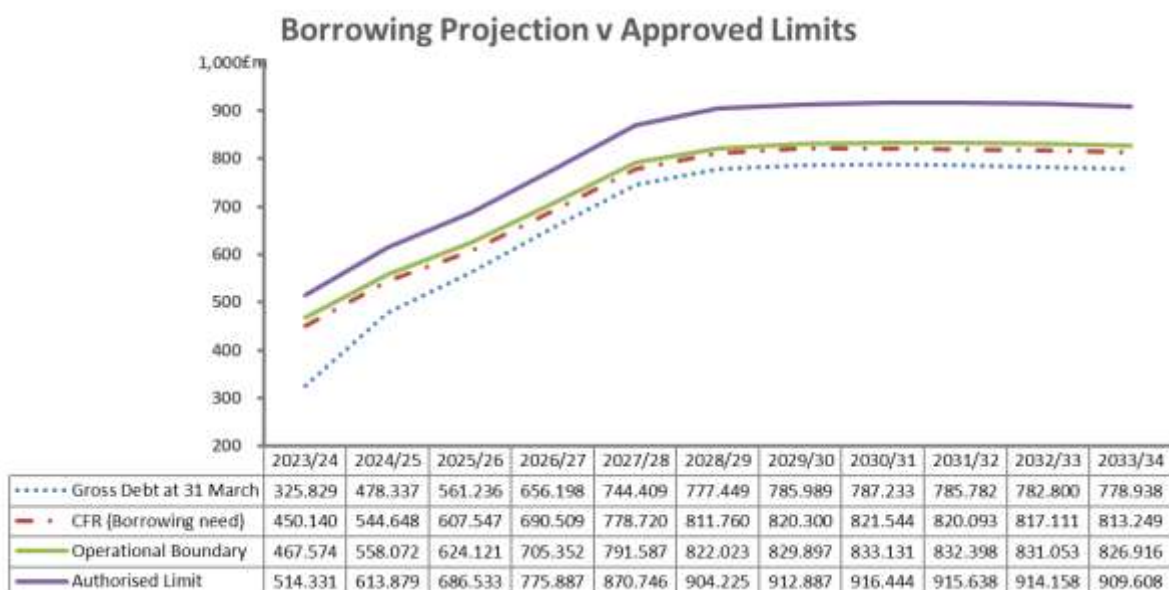
Treasury Management Strategy and Loans Fund Policy

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

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

The key prudential and treasury indicators include:

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



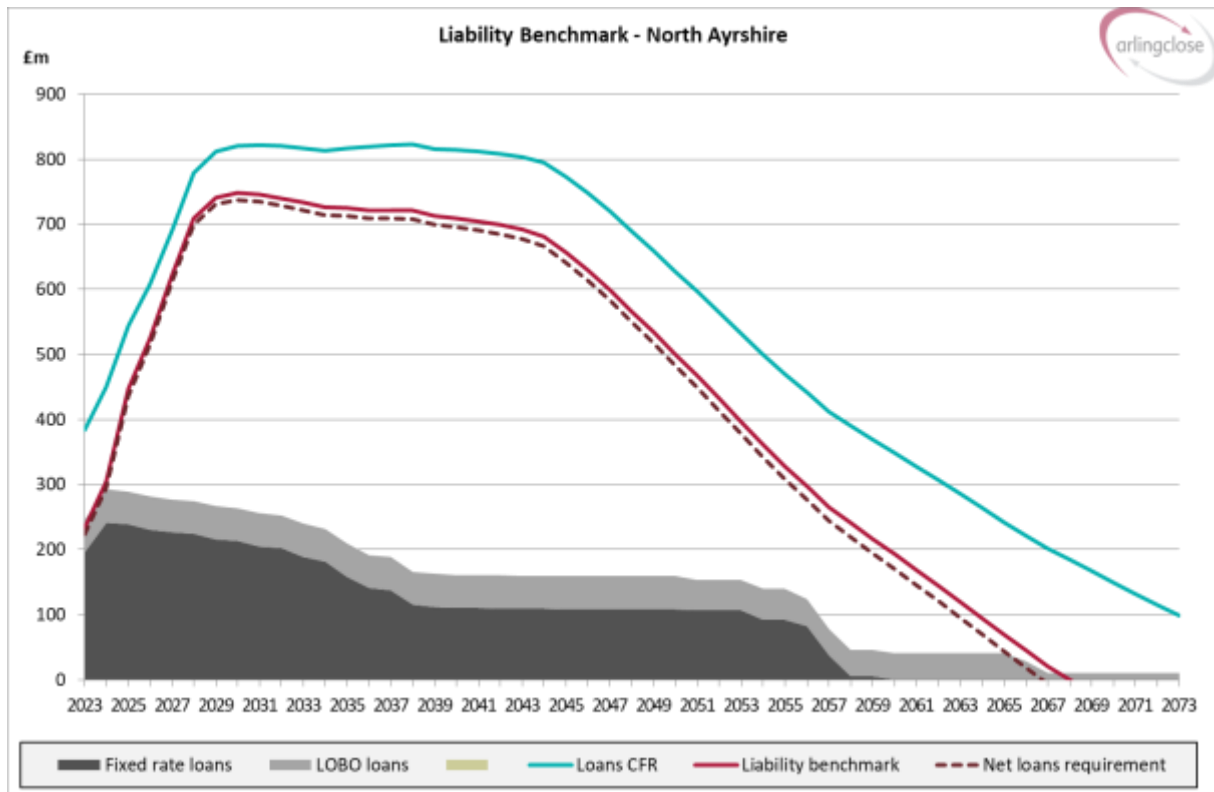
As reflected in the Treasury Management Strategy for 2024 to 2025, the analysis of the Capital Financing Requirement for North Ayrshire Council indicates that the borrowing needs to support delivery of the capital programme will increase to £821.544 million by 2030 to 2031 and then reduce annually to 2033 to 2034. The analysis also indicates that this borrowing need continues to be within the parameters of both the Operational Boundary (the expected maximum borrowing position of the Council) and the Authorised Limit (the limit beyond which external debt is prohibited).

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

Proportion of financing costs to net revenue stream	2023 to 2024 Probable Outturn	2024 to 2025 Estimate	2025 to 2026 Estimate	2026 to 2027 Estimate
General Services	2.5%	3.5%	4.4%	4.9%
Housing Revenue Account (HRA)	20.5%	24.0%	28.7%	30.5%

The estimated ratio of debt to net revenue stream across the next three years averages at 4.3% for General Services and 27.7% for the Housing Revenue Account. From a General Fund perspective, the Chartered Institute of Public Finance and Accountancy (CIPFA) Directors of Finance Performance Indicators 2022 to 2023 show a Scottish Local Authority average of 5.4%, therefore demonstrating a prudent borrowing policy. For the Housing Revenue Account, the indicative Scottish average in 2022 to 2023 was 21.4%. The rising ratio within the Housing Revenue Account is indicative of the significant capital investment programme as outlined in the Strategic Housing Investment Plan. The level of loan charges is deemed prudent and affordable within the framework of the 30 year Housing business plan.

The Liability Benchmark, another treasury prudential indicator, is an important tool used to identify whether the Council is likely to be a long-term borrower or long-term investor, allowing it to shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.



Loans Fund Policy

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

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

Governance

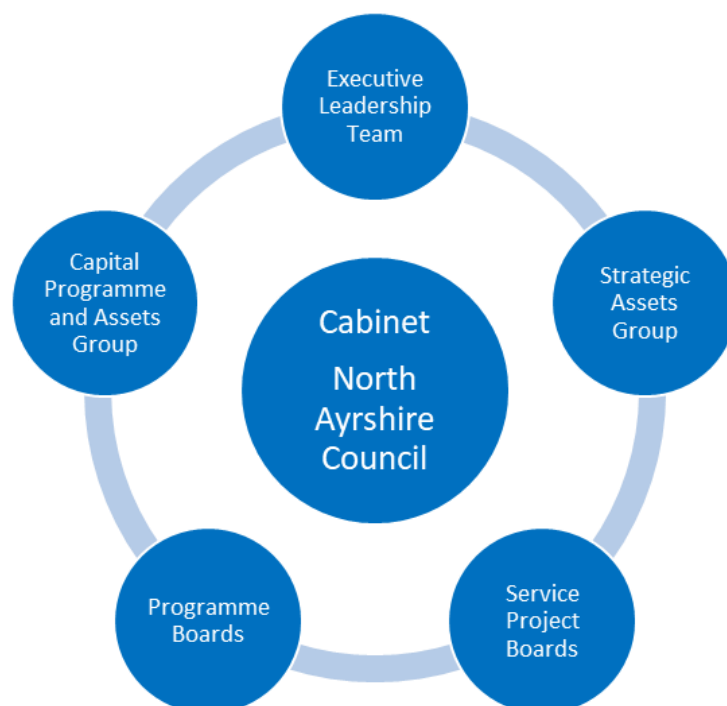
Having robust governance arrangements in place is key to ensuring effective strategic management of assets, from initial planning through to delivery, utilisation and disposal. North Ayrshire Council delivers a governance framework through a number of officer and member represented groups/committees.

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

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

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

The current governance framework is illustrated below:



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

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

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

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

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

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

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

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

Knowledge and skills

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

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

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

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

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

Risk

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

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

Conclusion

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

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

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

Working in partnership with the UK and Scottish Government and East Ayrshire and South Ayrshire councils, the Ayrshire Growth Deal will regenerate the region through investment in strategic infrastructure across various sectors, including life sciences, tourism, manufacturing and aerospace, with total investment of over £251.5 million.

Related documents, strategies and plans

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