

# North Lanarkshire Council Report

## Policy and Strategy Committee

approval  noting

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## Community Investment Fund – Annual Update

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### Executive Summary

In September 2018, the 'We Aspire – A Shared Ambition for North Lanarkshire' report presented to Policy and Resources Committee outlined proposals for the establishment of the Community Investment Fund (CIF). The ambition was to target the creation of additional resources of £500m over a 10 year period to support new capital expenditure in North Lanarkshire's communities. The investment would be funded through ring-fencing elements of future council tax income associated with the growth in housing and top-slicing an element of future council tax increases.

Updated assumptions reported to Policy & Strategy Committee in June 2019 highlighted a revised estimate of the potential funding available to £705m over the 10 year period. This report also noted the requirement for robust governance and monitoring arrangements to be put in place to ensure that investment plans are prudent, affordable and sustainable.

This report provides an annual update on the assumptions used in determining the potential funding available and provides a revised estimate of £694m over the 10 year period. In addition, the report provides a summary of the steps taken by the Council's Strategic Capital Delivery Group to ensure sound governance arrangements are put in place.

### Recommendations

It is recommended that Committee:

- (1) Notes the impact of revised assumptions on the resources available.
- (2) Notes the governance arrangements put in place by the Strategic Capital Delivery Group.

### The Plan for North Lanarkshire

Priority Improve North Lanarkshire's resource base

Ambition statement (21) Continue to identify and access opportunities to leverage additional resources to support our ambitions

## 1. Background

- 1.1 In September 2018, the 'We Aspire – A Shared Ambition for North Lanarkshire' report presented to Policy and Resources Committee outlined proposals for the establishment of the Community Investment Fund (CIF). The ambition was to target the creation of additional resources of £500m over a 10 year period to support new capital expenditure in North Lanarkshire's communities. The investment would be funded through ring-fencing elements of future council tax income associated with the growth in housing and top-slicing an element of future council tax increases.
- 1.2 Updated assumptions reported to Policy & Strategy Committee in June 2019 highlighted a revised estimate of the potential funding available to £705m over the 10 year period.
- 1.3 The CIF aims to support the Council's aspiration to make North Lanarkshire the place to Live, Learn, Work, Invest and Visit, with a shared ambition for inclusive growth and prosperity for all. Investment linked to CIF will be targeted towards tackling the barriers to growth by unlocking the potential in the most deprived areas, breaking the cycle of poverty and opening up opportunities to create more equal communities.
- 1.4 The new investment aims to accelerate the delivery of ambitious plans for the community hub / integrated campus model and service delivery underpinned by community involvement and partnership whilst supporting the generation of future budget savings and supporting economic regeneration activity throughout North Lanarkshire.
- 1.5 The Council's approved budget for 2019/20 recognised the establishment of the CIF by confirming the commitment to set aside 1% of council tax increases from 2020/21 and setting aside £0.696m in revenue resources during 2019/20 to provide for initial capital investment of £14.000m.
- 1.6 The Council confirmed its commitment to the Community Investment Fund in approving its 2020/21 revenue budget on 24 February 2020 by setting aside 1% of Council Tax receipts for 2020/21 and allocating additional projected Council Tax growth.

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## 2. Report

- 2.1 As previously highlighted, the Community Investment Fund will have two main forms of funding: forecast growth in Council Tax income which is directly linked to the Council's ambition for economic growth; and the ring-fencing of 1% of future Council Tax increases.
  - 2.2 The report to Policy & Strategy Committee in June 2019 updated these assumptions in line with prevailing economic conditions and forecasts and committed to providing an annual update on these assumptions.
- Council Tax Growth Linked to Economic Growth***
- 2.3 The monitoring arrangements set up by Financial Solutions to assess forecast growth in Council Tax income are in two parts:

- i. The ongoing review of the Council Tax base which assesses changes in billing arrangements including the addition and removal of properties from the database and the impact of Council Tax appeals.
  - ii. Review of the Council's Housing Land Audit (HLA). This monitors the supply of land for housing each year and includes estimates of the number of houses to be built over the next seven years. The housing supply target is set in the Local Development Plan.
- 2.4 At this stage in the monitoring process there have not been any significant changes in the overall Council Tax growth figures to warrant a change in previous assumptions but this will be kept under review.

***Raised from Council Tax Increases***

- 2.5 The Council agreed to increase Council Tax by 4.84% when it met to set its budget for 2020/21. Not only did this assist the Council in meeting its budget gap for 2020/21; it also meant that future Council Tax growth and future assumptions around 1% ring-fenced Council Tax will be based on a higher Council Tax Band D equivalent rate.
- 2.6 As a result, the total estimated additional income potentially available to support CIF has increased from the **£29.906m** reported to Committee in June 2019 to **£30.619m** over the course of the 10 year planning period.

***Investment Factor***

- 2.7 As outlined in the previous CIF update report, one of the key factors in determining the potential funding available is the investment factor. This investment factor is determined by considering the prevailing interest rates available to the Council and the length of time the borrowing is repaid.
- 2.8 In June 2019, the CIF funding model assumed interest rates of 3.0%. However, in October 2019, the UK Treasury announced an increase in the interest rate for Public Works Loan Board (PWLB) of 1.0%. This means the typical rate for borrowing is now 2.8% instead of 1.8%.
- 2.9 As a result, it is now prudent to assume that the Council's overall borrowing is unlikely to trend towards 3.0% and is likely to be marginally higher at 3.25%.
- 2.9 This provides a revised investment factor of 22.2084.

***Potential Funding Available***

- 2.10 The two factors outlined in paragraphs 2.6 and 2.9 mean that the potential capital funding available in the updated CIF funding model has been reduced marginally to £694.002m, a reduction of £11.281m from the position reported in June 2019.
- 2.11 The Strategic Capital Delivery Group will need to ensure that delivery plans for the use of CIF are amended to reflect the revised funding availability.

***Governance Arrangements***

- 2.12 The Council's Strategic Capital Delivery Group set up a CIF Sub-Group during 2019 to establish governance around submission and approval of bids for Community Investment Fund programmes. The Group comprises key delivery officers from across the Council.
- 2.13 The objectives of the Group include:

- Ensure robust governance arrangements for the approval of CIF projects including ensuring all decisions made are Intra Vires, align with The Plan for North Lanarkshire and meet the criteria of the CIF;
- Allocation of priority CIF projects in line with the existing framework within the Council's approved Capital Strategy, ensuring alignment with approved resources, which will allow effective delivery of the programmes;
- Ensure Service proposals are developed and managed in accordance with the Council's Project Management guidelines, and performance is monitored on a day to day basis;
- Approve amendments or realignments of resources to facilitate the effective delivery of the CIF programme, subject to authority levels at 4. below;
- Provide the SCDG with updates on the work of the CIF Sub-Group.
- Ensure Financial performance of CIF projects is reported to Committee as part of the General Services Capital monitoring reports, in line with the financial regulations and the agreed limits, as outlined in the SCDG Terms of Reference

2.14 Bids have been submitted from services across the Council and considered by the CIF Sub-Group at its meeting on 5 March 2020. Bids have been assessed according to the following criteria:

- Alignment with CIF objectives, including development of the community hub model, generation of budget savings and supporting economic regeneration,
- Alignment with The Plan for North Lanarkshire,
- Whether the programme is cost effective and affordable;
- Whether the programme minimises future risks to the Council, and
- Assessment of project deliverability and scalability.

2.15 The outcome of the scoring exercise will be considered by the next SCDG meeting.

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### **3. Equality and Diversity**

#### **3.1 Fairer Scotland Duty**

There are no requirement for an assessment under the Fairer Scotland duty arising from this report, however, members should be assured that the Fairer Scotland assessment process will be undertaken as appropriate when considering investment decisions.

#### **3.2 Equality Impact Assessment**

There are no specific equality impacts.

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### **4. Implications**

#### **4.1 Financial Impact**

The financial impacts are outlined throughout the report. In summary, the potential resources available through the Community Investment Fund has been revised down to £694.002m over the 10 year period (from £705.282m).

#### **4.2 HR/Policy/Legislative Impact**

None identified.

#### **4.3 Environmental Impact**

None identified.

4.4 Risk Impact

The governance and monitoring arrangements put in place will ensure that risk is managed across CIF programmes, including through the Council's revenue budget, capital planning and treasury management strategies.

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**5. Measures of success**

5.1 Success will be evidenced through the development of projects and programmes of activity funded through the Community Investment Fund and their impact on the communities of North Lanarkshire.

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**6. Supporting documents**

6.1 Appendix 1 – Updated Community Investment Fund model



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## Updated Community Investment Fund model

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Total
<b>Raised from Ambition - Growth in Band D Equivalents</b>												
"As is" Growth		1,700	1,619	1,542	1,469	1,399	1,332	1,269	1,208	1,151	1,096	
Growth from ambition			300	330	363	399	439	483	531	585	643	
<b>Increase in Band D equivalents</b>		<b>1,700</b>	<b>1,919</b>	<b>1,872</b>	<b>1,832</b>	<b>1,798</b>	<b>1,771</b>	<b>1,752</b>	<b>1,740</b>	<b>1,735</b>	<b>1,739</b>	<b>17,857</b>
Council Tax Charge for Band D (assume 3% increase pa)		1,221	1,258	1,296	1,335	1,375	1,416	1,458	1,502	1,547	1,594	
Total Additional Council Tax Income from growth (£000)		2,076	2,414	2,425	2,444	2,471	2,508	2,555	2,613	2,685	2,771	24,962
Less assumed 3% non-collection (£000)		- 62	- 72	- 73	- 73	- 74	- 75	- 77	- 78	- 81	- 83	- 749
Less amount assumed in Long Term Financial Plan (£000)		- 1,000	- 1,000	- 1,000	- 1,000	- 1,000	- 1,000	- 1,000	- 1,000	- 1,000	- 1,000	- 10,000
<b>Amount available for Community Investment Fund (£000)</b>		<b>1,014</b>	<b>1,342</b>	<b>1,353</b>	<b>1,371</b>	<b>1,397</b>	<b>1,433</b>	<b>1,478</b>	<b>1,535</b>	<b>1,604</b>	<b>1,688</b>	<b>14,214</b>
<b>Raised from Council Tax increases</b>												
Additional income from assumed 3% increase pa on 19/20 Council Tax base		4,293	4,422	4,555	4,691	4,832	4,977	5,126	5,280	5,438	5,602	49,217
<b>Amount available for Community Investment Fund (£000) - 1% set aside</b>		<b>1,431</b>	<b>1,474</b>	<b>1,518</b>	<b>1,564</b>	<b>1,611</b>	<b>1,659</b>	<b>1,709</b>	<b>1,760</b>	<b>1,813</b>	<b>1,867</b>	<b>16,406</b>
<b>Total estimated additional income for Community Investment Fund (£000)</b>		<b>2,445</b>	<b>2,816</b>	<b>2,871</b>	<b>2,935</b>	<b>3,008</b>	<b>3,092</b>	<b>3,187</b>	<b>3,295</b>	<b>3,417</b>	<b>3,555</b>	<b>30,619</b>
Investment Factor (revenue funding converted to capital)		22.2084										
<b>Total Capital Funding Available</b>	<b>14,000</b>	<b>54,300</b>	<b>62,531</b>	<b>63,759</b>	<b>65,175</b>	<b>66,801</b>	<b>68,658</b>	<b>70,771</b>	<b>73,169</b>	<b>75,884</b>	<b>78,953</b>	<b>694,002</b>

**Assumptions:**

1. "As is" Growth – historically, the Council Tax Band D equivalent properties has averaged around 1,700 per annum. This model assumes this growth will reduce by 5% per annum
2. Growth from ambition – modelling assumes that additional housebuilding linked to the Plan for North Lanarkshire will be 300 (Band D equivalent) in Year 2, rising by an additional 10% per annum.
3. Council Tax will rise by 3% per annum from 2021/22 onwards, with 1% ring-fenced to support CIF but this is subject to future Council decisions.
4. Council Tax collection rate assumed to be 97%.
5. £14.000m CIF established as part of 2019/20 Revenue Budget.
6. Investment Factor assumed to be 22.2084 based on and interest rate of 3.25% over 40 years