WRITTEN EVIDENCE FROM NORTH LANARKSHIRE COUNCIL

Summary
The Council welcomes the opportunity to respond to the invitation of the Local Government and Regeneration Committee on the impacts on local authority finances of the Scottish Government's Spending Review and Draft Scottish Budget 2012-13. We note that the Committee has decided to focus on the Government’s spending plans for transport and have responded on the potential impact of its plans on councils’ investment in transportation. We have also commented on impacts on housing and other infrastructure investment, including town centres. The response notes the Committee’s recognition that infrastructure and capital investment is an overall beneficiary within the overall spending plans. However, the capital grant funding allocated to local government, which enables councils’ investment in infrastructure, has been reduced in order to fund Scottish Government spending on capital investment.

Overall Context
The Scottish Spending Review and Draft Budget 2012-13 contains “a commitment to prioritise capital spending during a challenging period for public finances, with unprecedented levels of cuts to public spending by the UK Government.” While it is accepted that the Scottish Government has had to develop its plans within a constrained total of public expenditure, it is disappointing that, in order to safeguard its own priorities, it has reduced the level of capital grant support that it provides to local authorities. Part of the local government finance settlement is a general capital grant to support local authorities’ spending on infrastructure and other projects. The Scottish Government proposes to re-profile the capital allocations to local government, removing £120 million and £100 million in the next 2 financial years, returning £120 million in 2014/15 and delaying the return of the remaining £100 million until the next Spending Review. The Cabinet Secretary for Finance, Employment and Sustainable Growth stated to Parliament that councils could use their prudential borrowing powers to make up the shortfall in the early years. A key test within the Prudential Code for Capital Finance in Local Authorities, under which local authorities operate their borrowing strategies, is whether borrowing is affordable. In the light of the government funding cuts to local authorities in recent years and the inability to raise local taxation as a result of the council tax freeze, it will be very difficult to fund the revenue cost of such additional borrowing.

In the past, largely through its own resources, the Council has invested significant sums in its infrastructure, including ambitious schools and housing projects, roads and town centre regeneration. More recently, its plans have not been matched by the Scottish Government, for example, capital grant funding for one school has now been converted to the NPD model, resulting in delays to the commencement of the project.

The ability to respond to the needs to stimulate the local economy has been hampered by the reduction in government grant. The reduction in capital grant is likely to mean that council spending on infrastructure projects will suffer. The funding cuts to local government mean that councils face difficult choices in prioritising spending, with areas such as roads maintenance having to compete for resources with other vital projects including schools and regeneration.

Roads and Transportation
North Lanarkshire Council has consistently recognised the importance of its road network and its impact on the local economy. Capital spending on roads, bridges and lighting by the Council over the past 5 years has amounted to over £61 million with the figure for 2011/12 representing an increase of 50% from the previous year in recognition of the impact of the severe winters over the past 2 years. Past investment also resulted in a reduction in the cost of insurance claims: any deterioration in the condition of the roads is likely to reverse this trend, putting further pressure on revenue budgets.

A recent Audit Scotland report highlighted that local authorities were responsible for over 90% of Scotland’s roads network and also states that councils estimate that £45 million per year for the next 10 years would be required to maintain roads in their current condition. The removal of capital grant through re-profiling puts pressure on the ability to maintain the roads network.

Town Centres
Another key element relating to infrastructure is investment in town centres, which are a priority for North Lanarkshire Council. The absence of comment within the Spending review on town centre regeneration, for example, the continuation of the Town Centre Regeneration Fund (TCRF), means that there is a gap in the proposals. The TCRF was an important intervention for local authorities to not only invest in town centres, but also leverage in further funding contributions from the private and third sector. More clarity on future assistance for town centres would help local authorities to plan their investment programmes.
**Vacant and Derelict Land**

In addition, the Spending Review does not set out the Government’s priority for dealing with vacant and derelict land. The Vacant and Derelict Land Fund (VDLF) has been an important source of support for local authorities that have particularly high levels of under-developed and contaminated land. VDLF has been used to make land economically viable for private sector developers and been a major catalyst for investment in local authorities. It may be that VDLF is included as part of the local authority settlement, but greater clarity on this would be helpful.

**Funding of Infrastructure Projects**

The Council welcomes the Scottish Government’s willingness to explore innovate methods of financing infrastructure investment. In March 2011, the Scottish Government gave provisional approval to North Lanarkshire Council’s business case for a tax increment financing (TIF) pilot scheme to regenerate the site of the former Ravenscraig steelworks, with the business case having established that £73m of public sector investment would unlock £425m of private sector investment, generating 4,800 jobs and an estimated Gross Value Added of £106m per year. TIF provides the opportunity for investment funded from the generation of additional non-domestic rates and does not require the use of existing funds. Especially during this period of economic restraint and pressure on public resources, such schemes that identify and utilise new sources of finance are an important supplement to funds available for infrastructure investment.

**Housing**

The proposed reduction each year in the Housing and Regeneration budget, which funds new affordable housing provision in all areas other than Glasgow and Edinburgh, is a concern as it comes on top of an estimated 30% reduction in the current year. The proposed investment in new provision is set to half in 2013/14 compared to the 2011/12 budget figure, which seems at odds with the commitment by the Scottish Government to help stimulate the economy by investing in capital projects. The construction industry is a critical part of the economy and investment in affordable housing projects can also enable developers to bring forward new private house building as risks are reduced and infrastructure costs shared.

While the need to look at different funding models and opportunities to reduce subsidy levels is supported, there is an over-reliance on initiatives such as the National Housing Trust and mid-market renting to try and boost number of completions, at the expense of meeting the acute need for social rented homes, including housing to meet particular needs. There is also a need for greater transparency in terms of investment available to fund new affordable housing and how it is allocated, and this includes bringing together all available funding, including previously ring-fenced budgets for Glasgow, Edinburgh and GHA. Based on an agreed methodology, funding should then be allocated to local authority areas and priorities determined locally through the Strategic Housing Investment Plans. This would enable better planning and would help deliver efficiencies and economies as projects can be more effectively planned, and where possible linked.

The council supports the commitment to invest in energy efficiency measures but there is a need to simplify the funding streams and provide longer term funding commitments to enable more effective planning and procurement of works to take place.