

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	EXECUTIVE COMMITTEE
DATE:	12 NOVEMBER 2018
SUBJECT:	CAPITAL BUDGET 2019/20
PORTFOLIO HOLDER(S):	COUNCILLOR R WILLIAMS
HEAD OF SERVICE:	MARC JONES (EXT. 2601)
REPORT AUTHOR: TEL: E-MAIL:	MARC JONES EXT. 2601 rmjfi@ynysmon.gov.uk
LOCAL MEMBERS:	n/a

A - Recommendation/s and reason/s

1. PURPOSE OF THE REPORT

- 1.1 The Executive is required to propose a capital budget for 2019/20, which will be presented to the full Council for approval at its meeting on 27 February 2019.

2. RECOMMENDATIONS

- To recommend to the full Council the following capital programme for 2019/20:-

	£'m
Committed Schemes Brought Forward from 2018/19	13.429
Investing in Existing Assets	2.539
Highway Resurfacing	1.359
21 st Century Schools	<u>7.563</u>
Total General Fund Capital Schemes	24.890
HRA Capital Schemes	<u>13.110</u>
Total Proposed Capital Programme 2019/20	<u>38.000</u>
 Funded by:-	
Funding B/F from 2018/19	1.099
General Capital Grant	1.327
Supported Borrowing	2.026
Unsupported Borrowing – 21 st Century Schools	1.847
Supported Borrowing – 21 st Century Schools	1.943
External Grants	18.728
Highways Refurbishment Grant	0.580
HRA Unsupported Borrowing	1.000
HRA Funding	<u>9.450</u>
Total Funding	<u>38.000</u>

<ul style="list-style-type: none"> To determine which of the new projects to support (see Appendix 3); To determine whether to release a total of £1.510m of unused funding for Seiriol Extra Care (£1.0m) (Appendix 1 – paragraph 2.8) and Residential Sites for Gypsies & Travellers (£0.510m) (Appendix 1 – paragraph 2.9) back into the General Capital Fund to finance the new schemes; To determine which Invest to Save bids to support; To determine the level of funding allocated to road maintenance (Appendix 1 – paragraph 2.7). 		
B - What other options did you consider and why did you reject them and/or opt for this option?		
A number of additional schemes are to be considered in the capital programme with the main driving factor in funding being affordability and the maximisation of external grant funding. The proposed capital programme and the additional Capital schemes, if supported, do not commit the Council to a level of borrowing which increases minimum revenue provision or interest payments to an unaffordable level.		
C - Why is this decision for the Executive?		
The matter is delegated to the Executive to propose the capital budget.		
CH - Is this decision consistent with policy approved by the full Council?		
Yes		
D - Is this decision within the budget approved by the Council?		
N/A		
DD - Who did you consult? What did they say?		
1	Chief Executive / Strategic Leadership Team (SLT) (mandatory)	Comments incorporated in the report
2	Finance / Section 151 (mandatory)	n/a – this is the Section151 Officer's report
3	Legal / Monitoring Officer (mandatory)	Comments incorporated in the report
4	Human Resources (HR)	
5	Property	
6	Information Communication Technology (ICT)	
7	Scrutiny	
8	Local Members	
9	Any external bodies / other/s	
E - Risks and any mitigation (if relevant)		
1	Economic	
2	Anti-poverty	
3	Crime and Disorder	
4	Environmental	
5	Equalities	
6	Outcome Agreements	
7	Other	
F - Appendices:		
Appendix 1 – Report on the Capital Budget 2019/20 Appendix 2 – Proposed Capital Budget 2019/20 Appendix 3 – New Capital Schemes 2019/20		
FF - Background papers (please contact the author of the Report for any further information):		
Capital Strategy Report – Executive Committee 30 October 2017 Capital Budget 2018/19 – Full Council 28 February 2018		

1. INTRODUCTION

1.1. The proposed capital budget for 2019/20 is based on the capital strategy. The strategy outlines that the proposed capital programme would be based on the 7 main sources of funding:-

- General Capital Grant;
- Supported Borrowing;
- Capital Receipts;
- Unsupported Borrowing for 21st Century Schools Programme;
- Specific Capital Grants (inc. 21st Century Schools Grant);
- Capital Reserves;
- Housing Revenue Account Reserves and Balances.

2. PROJECTED FUNDING FOR 2019/20

2.1. The draft Local Government funding settlement for 2019/20 was published by the Welsh Government on 9 October 2018. The funding settlement sets out two elements of capital funding namely the General Capital Grant and the level of Unhypothecated Supported Borrowing which the Welsh Government funds through the capital financing element of the Standard Spending Assessment. The settlement set the General Capital Grant as £1.327m and the Unhypothecated Supported Borrowing as £2.182m. In addition, the Council will also receive £2.660m in the form of the Major Repairs Allowance from the Welsh Government which will part fund the major capital works to the Council's housing stock.

2.2. Over the past few years, a large amount of the Council's surplus land and buildings have been sold off with the proceeds used to fund the refurbishment of the Council's smallholdings or to fund capital expenditure. The Council have a number of surplus school sites following the opening of Ysgol Cybi and Ysgol Rhyd y Llan and further sites will become available when Ysgol Santes Dwynwen opens in 2019. However, any proceeds from the sale of these sites has already been allocated as a contribution towards the cost of building the new schools and are, therefore, not available to fund the general capital programme. Therefore, the sum available from capital receipts to fund new capital expenditure is much reduced from previous years.

2.3. The funding of the Band A 21st Century Schools is allocated 50% funded by Welsh Government and 50% by the Council through unsupported borrowing. Welsh Government then provide two thirds of their funding in the form of a specific grant with the remainder being supported borrowing. The funding available through the 3 elements is dependent on the expenditure incurred and is subject to change depending on the progress of each scheme. The Council ensures that sufficient expenditure is incurred to ensure that all the grant can be drawn down. Based on the latest expenditure profile, it is anticipated that the funding available for 2019/20 will be as follows:- Welsh Government Grant funding - £3.773m, Supported Borrowing - £1.943m and Unsupported Borrowing - £1.847m.

2.4. Some projects are either partly funded or fully funded from external grants. These can be grants from the Welsh Government, European grant funding or from contributions from external bodies. The expenditure incurred on each project will determine the level of grant funding received. Based on the plans for the current projects, it is estimated that the Council draw down £18.728m in external funding.

2.5. The Executive in previous years has approved the release of £0.250m from the capital reserve to fund small Invest to Save projects. A decision needs to be made whether or not to continue this funding and, if so, the amount of funding to be released and the source of that funding.

- 2.6** In addition to the Major Repair Allowance, the remainder of the HRA capital programme is funded from the annual revenue surplus generated by the HRA and the use of the HRA general reserves. The HRA also has its own borrowing facility which is capped by Welsh Government. For 2019/20, it is proposed to use £9.450m from the in year surplus and the HRA general reserves to fund the majority of the capital expenditure with the remaining £1.0m to be funded through additional borrowing.
- 2.7** The Welsh Government has announced additional grant funding of £20m for 2019/20 for Highways resurfacing. Anglesey's allocation of this additional funding will be around £0.580m. The current minimum amount of capital investment required to meet the contract in 2019/20 is £0.779m but the Highways Asset Management plan states that over £2m per annum needs to be spent on road surfacing to maintain the roads to their current standard. It is for the Executive to determine whether this grant forms part of the funding of the minimum capital investment required or if the grant is in addition to the minimum capital investment required, which would take the total capital budget for road maintenance to £1.359m. The proposed capital budget (Appendix 2) assumes the latter.
- 2.8** In previous capital budgets, £1.0m of capital funding had been allocated towards the Seiriol Extra Care Home project. However, as this project will now be funded in its entirety through the HRA, the £1m allocated can now be released to fund other capital projects and the Executive is requested to consider whether they wish to release this funding.
- 2.9** In the Capital Programme 2018/19, £1.858m of funding was allocated towards the Gypsies and Traveller permanent and temporary sites. This was to be funded by £0.450m external grant (for the permanent site) and £1.408m from the Council's own resources. There is planned expenditure of £0.120m in 2018/19 on the scheme, leaving £1.288m of unused council funding to be carried forward into 2019/20. As planning permission has now been received for the temporary site, £0.778m has been included in the 2019/20 draft capital programme for the completion of this project. The plans for the permanent site have not moved ahead as quickly and planning permission has yet to be granted and further work is required on the financial viability of the project. The Executive, is therefore, requested to consider whether to release the remaining £0.51m of funding which can be used to fund other capital projects in 2019/20. Once the scheme has been finalised and the costs agreed, capital funding will be allocated to the project at some future date.

3. PLANNED CAPITAL PROGRAMME FOR 2019/20

- 3.1.** The capital strategy for 2019/20 will reaffirm previous capital strategies that laid down the principles on which the 2019/20 capital programme is based. The principles are as follows:-
- That a sum is allocated in the capital programme each year to fund the major repairs to, or the replacement of, existing I.T. equipment, vehicles and Council buildings;
 - That a sum is allocated in the capital programme to meet the Council's statutory requirement to offer disabled facilities grants;
 - That a level of road surfacing work is funded from the capital programme each year. The sum allocated will be dependent on the funding required to achieve any minimum contract value guarantees, the level of funding available and an assessment of the state of repair of the Authority's roads;
 - Projects that require a level of match funding to enable grant funding to be drawn down are assessed on a case by case basis by the Executive. The decision whether to commit funding will be dependent on the project, how it fits into the Council's corporate priorities and the ratio of Council funding to grant funding;
 - That the 21st Century schools programme is considered separately from the remainder of the general Council capital programme.

3.2. Based on the above principles and the funding available, the core capital programme for 2019/20 is shown in Table 1 below. Full details are attached as Appendix 2.

Table 1
Proposed Capital Programme

Scheme	2019/20 Budget £'m	External Grants £'m	Council Funding £'m
Holy Island Visitor Gateway	1.000	0.950	0.050
Lôn Newydd Wylfa	7.000	7.000	0.000
Holyhead and Llangefni Strategic Infrastructure	3.400	3.330	0.070
Flood Alleviation Schemes	0.900	0.765	0.135
Gypsy and Traveller Sites	0.779	0.000	0.779
Holyhead Market Hall	0.350	0.250	0.100
Ysgol Santes Dwynwen	0.085	0.000	0.085
Ysgol Rhyd y Llan	0.037	0.000	0.037
Ysgol Y Graig Extension	3.120	1.185	1.935
Ysgol Bro Llangefni	3.521	2.324	1.197
Ysgol Beaumaris, Llandegfan and Llangoed	0.400	0.132	0.268
Ysgol Syr Thomas Jones and nearby primary schools	0.400	0.132	0.268
Disabled Facilities Grant	0.750	0.000	0.750
Disabled Access – Education Buildings	0.300	0.000	0.300
Replacement Vehicles	0.150	0.000	0.150
IT Infrastructure	0.439	0.000	0.439
School Refurbishment	0.500	0.000	0.500
Non School Refurbishment	0.400	0.000	0.400
Highway Resurfacing	1.359	0.580	0.779
HRA Capital Expenditure / New Developments	13.110	2.660	10.450
TOTAL CAPITAL PROGRAMME	38.000	19.308	18.692
Funded By:			
External Grants	18.728	18.728	
Funding Brought Forward from 2018/19	1.099		1.099
General Capital Grant	1.327		1.327
Supported Borrowing	2.026		2.026
Highways Refurbishment Grant	0.580	0.580	
Capital Receipts	-		-
Unsupported Borrowing 21 st Century Schools	1.847		1.847
Supported Borrowing 21 st Century Schools	1.943		1.943
HRA Unsupported Borrowing	1.000		1.000
HRA Revenue / Reserves	9.450		9.450
TOTAL FUNDING	38.000	19.308	18.692

3.3 There have been 10 new Capital bids submitted for inclusion in the 2019/20 Capital Programme. These amount to £1.746m, of which £0.949m would be externally funded, with the remaining £0.797m being funded from the Council's resources. All 10 bids could be funded from the £1.510m requested to be reallocated back into the general fund as per section 2.8 and 2.9 of this report. However, if it is felt that one or more of the bids cannot be supported, this funding can be set aside for future capital schemes. A list of the new capital schemes are shown in Table 2 below. These new bids have been scored by officers against a pre-determined scoring criteria, and this, along with full details of the schemes, are set out in Appendix 3.

Table 2
New schemes for the Capital Programme

Scheme	2019/20 Budget £'m	External Grants £'m	Council Funding £'m
Upgrade Pay & Display Machines in Car Parks	0.030	0.000	0.030
Plas Mona Refurbishment	0.035	0.000	0.035
Plas Crigyll Refurbishment	0.085	0.000	0.085
Upgrade Meeting Rooms Equipment	0.025	0.000	0.025
School Safety	0.200	0.000	0.200
Funding in the event of late offer from WG regarding Drainage Works	0.200	0.170	0.030
Anglesey Connected (AC) to PSBA transition	0.060	0.000	0.060
Drainage Studies and Design Work	0.166	0.141	0.025
Flood defence Traeth Coch	0.850	0.638	0.212
Economic Development – To seek Match Funding	0.095	0.000	0.095
TOTAL CAPITAL PROGRAMME	1.746	0.949	0.797
Funded By:			
External Grants	0.949		
Reallocated Funding	0.797		
TOTAL FUNDING	1.746		

3.4 The scoring criteria assesses :-

- 'how does the scheme contribute towards the Council Plan 2017-22';
- 'does the scheme receive any external funding';
- 'does the scheme have any revenue savings / increase in revenue income';
- 'does the scheme mitigate any corporate risk'.

It is felt that the scoring needs to be weighted to take into consideration the importance of the Council Plan, therefore, this criteria is scored out of 20, with the other three being scored out of 10, to give a total scoring out of 50.

4. INVEST TO SAVE PROJECTS

4.1. In previous years, the Executive has decided to release £0.250m from the Capital Earmarked Reserve to fund small Invest to Save projects. The Executive is asked to consider whether or not to continue this funding into 2019/20, and, if so, what the budget will be. Services were invited to bid for the funding, with two bids received totalling £0.400m. Along with the 10 new capital bids mentioned in section 3.3 of this report, both these bids could be funded from the £1.510m that has been requested to be reallocated back into the general fund as per section 2.8 and 2.9 of this report. The following two bids were received:-

4.2. Energy Efficiency in Corporate Buildings

The Energy efficiency strategy 2017-2022 was adopted by the Executive in June 2017. The aim of the strategy is to reduce energy consumption by 15% by 2022. The Council's annual expenditure on energy and water was over £2.1m in 2015/16 and the cost of fuel continues to rise above the rate of inflation.

Loan funding is available and the Council has made use of this funding but, as with any loan, the funding has to be repaid and, as a result, the savings are not realised for a number of years. Using our own funding would release revenue savings immediately. The service has, therefore, bid for £0.250m, which would release an estimated £0.030m in savings per annum. If a lesser amount was awarded, the number of projects that could be undertaken would be less or would be funded through loan funding.

A similar bid was approved in 2018/19 Capital budget with works expected to be completed by January 2019.

4.3. Purchase new vehicles – 4 LPG vehicles and 4 electric vehicles

Currently the Council has 8 vehicles on Long term hire, and this bid is to terminate the hire and purchase 4 new electric vehicles and 4 new LPG vehicles. The current annual hire fee for the 8 vehicles is £31,962 with the annual fuel cost being £11,331 giving a total annual cost of £43,294. To allow for a fair comparison a 3% inflation on these costs has been used. Table a) below summarises these costs.

Table a)

		£	£
External Hire			
Annual Charge (fee)		31,962.24	
Current Cost per Mile (fuel)	0.10		
Estimated Number of Miles (annual)	111,484.80		
Estimated Annual Fuel Cost		11,331.77	
Total Hire Charge over 10 years including 3% inflation			366,411.26
Total Fuel Charge over 10 years including 3% inflation			129,906.02
Total Cost		43,294.01	496,317.28

The estimated cost of an LPG vehicle is £12,500 with the cost of an electric car being £25,000. To purchase 4 of each would cost £150,000. The total annual cost of running these 8 vehicles would be £13,342, which is £29,952 cheaper per annum than the external hire vehicle. To allow for a fair comparison, a 3% inflation on these costs has been used. Table b) below summarises these costs.

Table b)

Purchase 8 New Vehicles	LPG(4)	Electric (4)	Total
	£	£	£
Current Cost per mile (fuel)	0.09	0.035	
Current Cost per mile R & M	0.10	-	
Total current cost per mile	0.19	0.035	
Estimated number of miles (annual)	55,742.00	55,742.000	111,484.00
Replacement Tyres (per annum)	-	800.000	800.00
Cost	10,590.98	2,750.97	13,341.95
Purchase Cost	50,000.00	100,000.00	150,000.00
Replacement tyres over 10 years including 3% inflation	-	9,171.10	9,171.10
Total Charge over 10 years including 3% inflation	121,414.59	22,365.85	143,780.43
Total Cost	171,414.59	131,536.95	302,951.54

To make a fair comparison, a life expectancy of the new vehicles needs to be made. For this purpose, the assumption used is that these new vehicles' expected life is 10 years. It is difficult to estimate the exact expected life of an electric car, as they are relatively new, but some manufacturers are offering an 8 year warranty, indicating that 10 years is prudent. Also, the Council currently have LPG vehicles that are 12 years old, indicating again that a 10 year estimate is prudent. Based on this expected life, see Table c) below that shows that, over a 10 year period, there will be a £193k saving in adopting this invest to save scheme.

Table c)

	£
Summary (over 10 years)	
External Hire	496,317.28
Purchase 4 LPG & 4 Electric Vehicles	302,951.54
Saving	193,365.75

Scheme	Category	2019/20 Budget £'000	Funded By									
			External Grants £'000	Funding B/F from 2018/19 £	General Capital Grant £	Supported Borrowing £	Highways Refurbishment Grant £	Capital Receipts £	Unsupported Borrowing 21 st C Schools £	Supported Borrowing 21 st C Schools £	Unsuppo rted Borrowin g HRA £	HRA Revenue / Reserves £
Planned Refurbishment & WHQS Improvements	HRA	4,496	2,660	-	-	-	-	-	-	-	1,000	836
New Developments / Repurchase of former Right to Buy properties	HRA	1,723	-	-	-	-	-	-	-	-	-	1,723
TOTAL HRA		13,110	2,660	-	-	-	-	-	-	-	1,000	9,450
TOTAL CAPITAL PROGRAMME 2019/20		38,000	18,728	1,099	1,327	2,026	580	-	1,847	1,943	1,000	9,450

NEW SCHEMES FOR 2019/20 CAPITAL PROGRAMME

Scheme	Description	2018/19 Budget £'000	Funding		Scoring against the criteria								Total Scoring (out of 50)
			External Grants £'000	Reallocated Funding £'000	Council Plan	Scoring (20)	External Grant	Scoring (10)	Revenue Saving	Scoring (10)	Corporate Risk Mitigated	Scoring (10)	
Car Parks	Upgrade Pay & Display machines	30	0	30	Does not meet any of the objectives	0	No External Funding	0	Contactless payments will ensure that there is no collection costs or time used counting the money. It will be possible to view the status of the machines from the Council office to ensure they are working. This will negate the need for officers to go out and inspect the machines to ensure that they are working.	5	Does not mitigate a corporate risk	0	5
Plas Mona Refurbishment	<ul style="list-style-type: none"> • New access to outside area from dining room • Create a user friendly secure outdoor area to the rear of the property (currently there is no seating area outside for residents to enjoy) 	35	0	35	Objective 2	10	No External Funding	0	Reduce Repair & Maintenance.	3	Potential issues regarding tenant wellbeing. Also, complying with the Equality Act 2010.	5	18

Scheme	Description	2018/19 Budget £'000	Funding		Scoring against the criteria								Total Scoring (out of 50)
			External Grants £'000	Reallocated Funding £'000	Council Plan	Scoring (20)	External Grant	Scoring (10)	Revenue Saving	Scoring (10)	Corporate Risk Mitigated	Scoring (10)	
Plas Crigyll Refurbishment	<ul style="list-style-type: none"> • Double glazing to all existing windows • Replace 25 internal doors • New kitchen facilities to two units 	85	0	85	Objective 2	10	No External Funding	0	Reduce Repair & Maintenance.	3	Potential issues regarding tenant wellbeing.	3	16
Upgrade Meeting Rooms equipment	Upgrade meeting rooms with large screen to replace projectors and skype conference telephones and wireless projecting from laptops	25	0	25	Doesn't directly link to an objective, but IT is an essential part of the development of the Council	5	No External Funding	0	Will be able to hold skype conference calls. reducing the need to attend external meetings.	3	Does not mitigate a corporate risk.	0	8
School Safety	A plan to fund necessary changes to ensure the safety of children on the school yard and in the dropout areas in the villages	200	0	200	Objective 1	7.5	No External Funding	0	No Revenue Saving.	0	Risk that a health and safety incident results in serious injury, illness or death.	10	17.5

Scheme	Description	2018/19 Budget £'000	Funding		Scoring against the criteria								Total Scoring (out of 50)
			External Grants £'000	Reallocated Funding £'000	Council Plan	Scoring (20)	External Grant	Scoring (10)	Revenue Saving	Scoring (10)	Corporate Risk Mitigated	Scoring (10)	
Funding in the event of late offer from WG regarding Drainage Works	The government have set up a 'small scale drainage flood alleviation schemes' on a 85% grant funding level. This funding will be used as match funding to secure external grants.	200	170	30	Objective 3	7.5	85% match funding available	8.5	Will lead to less flooding, therefore, reduce revenue costs in the event of flooding.	3	Risk with regards to Council Assets and Health & Safety.	5	24
Anglesey Connected (AC) to PSBA transition	To replace the legacy network connectivity provided by Anglesey Connected with PSBA connections	60	0	60	Doesn't directly link to an objective, but it does underpin all 3 of the objectives	10	No External Funding	0	Forecast Revenue saving of around £20k per annum.	7.5	T2: That we fail to sufficiently strengthen our ICT infrastructure .	7.5	25
Drainage Studies and Design Work	Following flooding on 22/11/17, there are drainage modelling works at Llanfairpwll, Menai Bridge, Holyhead and Valley that has been approved by WG at 85% match funding	166	141	25	Objective 3	7.5	85% match funding available	8.5	Will lead to less flooding, therefore, reduce revenue costs in the event of flooding.	3	Risk with regards to Council Assets and Health & Safety.	5	24
Flood defence Traeth Coch	Flood prevention plan in Traeth Coch	850	638	212	Objective 3	7.5	75% match funding available	7.5	Will lead to less flooding, therefore, reduce revenue costs in the event of flooding.	3	Risk with regards to Council Assets and Health & Safety.	5	23

Scheme	Description	2018/19 Budget £'000	Funding		Scoring against the criteria								Total Scoring (out of 50)
			External Grants £'000	Reallocated Funding £'000	Council Plan	Scoring (20)	External Grant	Scoring (10)	Revenue Saving	Scoring (10)	Corporate Risk Mitigated	Scoring (10)	
Economic Development – To seek Match Funding	Fund will enable IoACC to identify and develop capital projects to address the Island's social, economic, environmental & cultural needs and challenges (well-being), as well as responding to future opportunities which may arise from anticipated private sector inward investment. If the external funding is not secured, any costs incurred to date will have to be transferred to revenue	95		95	Objective 1 & 3	15	Service has previously utilised similar capital funding (£100k) to attract circa £16m of investment. The exact amount of external funding that may be received is not known, but it could be significant.	9	New Capital Infrastructure could lead to additional rental income. Improving local conditions for business to prosper could also lead to an increase in non-domestic rates	3	YM 16 - Risk that the Council is unable to successfully impact on major schemes (e.g. Energy Island) to ensure that the citizens of Anglesey benefit. YM17 - Risk that the Island's infrastructure is not developed to meet the needs of the public, businesses etc.	5	32