

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	EXECUTIVE COMMITTEE
DATE:	13 JANUARY 2020
SUBJECT:	INITIAL CAPITAL BUDGET 2020/21
PORTFOLIO HOLDER(S):	COUNCILLOR R WILLIAMS
HEAD OF SERVICE:	MARC JONES (EXT. 2601)
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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 2020/21, which will be presented to full Council for approval at its meeting on 10 March 2020.

2. RECOMMENDATIONS

- To recommend to the full Council the following capital programme for 2020/21:-

	Ref	£'000
2019/20 Schemes Brought Forward	Para 4.1 & Table 2	3,294
Refurbishment / Replacement of Assets	Para 4.2.2 & Table 3	5,158
New One Off Capital Projects	Para 5.2 & Table 4	2,174
Smallholdings funded from capital receipts	Para 5.7	100
21 st Century Schools	Para 6	9,039
Housing Revenue Account	Para 7	17,138
Total Recommended Capital Programme 2020/21		36,903
Funded By:		
General Capital Grant		2,165
Supported Borrowing General		2,364
Capital Receipts		245
Capital Reserve		500
21 st Century Schools Supported Borrowing		2,680
21 st Century Schools Unsupported Borrowing		3,679
HRA Reserve & In Year Surplus		14,228
HRA Unsupported Borrowing		250
External Grants		7,572
2019/20 Funding Brought Forward		3,219
2020/21 Total Capital Funding		36,903

- That the use of the VAT Leisure reserve and any potential capital receipts from the proposed sale of the golf course are considered by the Executive when the draft Developing Leisure Provision for Future Generations Plan is presented to the Executive. The remaining £32k is carried forward as funding to be used in 2021/22.
- To note the potential future funding requirements for 2021/22 onwards (Appendix 1 Table 3 and paragraph 5.5).

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 from the SLT have been incorporated into the report
2	Finance / Section 151 (mandatory)	n/a – this is the Section151 Officer's report
3	Legal / Monitoring Officer (mandatory)	
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 2020/21
Appendix 2 – Proposed Capital Budget 2020/21

FF - Background papers (please contact the author of the Report for any further information):

Capital Strategy Report – Executive Committee 30 October 2017
Capital Budget 2019/20 – Full Council 27 February 2019

DRAFT CAPITAL BUDGET 2020/21**1. INTRODUCTION**

1.1. The draft Capital Budget for 2020/21, set out below, takes into account the principles set out in the Capital Strategy which was approved by the Executive in February 2019 and the full Council in May 2019.

2. PRINCIPLES OF THE CAPITAL STRATEGY

2.1. The Capital Strategy for 2019/20 was approved by the Executive and full Council and will be updated for 2020/21 to reflect the new funding levels, any changes in the Council's priorities and any changes set out in the Council's Treasury Management Strategy for 2020/21, which will be approved by the Executive and full Council in March 2020.

2.2. The current Capital Strategy sets out the following principles for the Council in determining its capital programme:-

- Each year capital funding will be allocated to ensure an investment in existing assets.
- The Council will maximise external capital funding wherever possible and affordable.
- Capital funding will also be prioritised on assets required to help the Council deliver its statutory responsibilities.
- The Council remains committed to the 21st Century Schools Programme and will continue to fully utilise 21st Century Schools external funding.

2.3. The strategy then went on to provide a little more information on how these principles would be delivered and included the following key points:-

- That the 21st Century Schools programme is considered separately from the remainder of the general capital programme.
- That the replacement of existing and obsolete assets has the benefit of reducing revenue costs and that the capital programme will allocate funding to replace or improve existing I.T. equipment, vehicles and Council buildings.
- It is a statutory requirement to offer disabled facilities grants and that the capital programme will allocate funding annually to comply with this requirement.
- A sum will be allocated annually to fund road improvement works. The sum will depend on the amount required to achieve any minimum contract values, the level of external and internal funding available and an assessment of the state of repair of the Authority's roads.
- Projects that require match funding will be assessed on a case by case basis, with any decision to allocate funding being based on how the project fits into the Council's corporate priorities, any ongoing revenue implications and the ratio of Council funding to external funding.
- Projects funded from unsupported borrowing will only be undertaken if the reduction in revenue costs or increased income generated is sufficient to meet any additional capital financing costs.

2.4. The Capital Strategy also sets out how any new bid should be scored as follows:-

- How closely the project will contribute to the priorities of the Corporate Plan – score out of 20;
- Whether the project attracts significant external funding – score out of 10;
- Whether the project will lead to revenue savings – score out of 10;
- Whether the project will help mitigate a corporate risk – score out of 10.

3. FUNDING THE CAPITAL PROGRAMME 2020/21

3.1. The funds available to finance the capital programme for 2020/21 are shown in Table 1 below. It should be noted that the figure for the General Capital Grant and Supported Borrowing are based on the provisional Local Government settlement figures. The final figure will not be known until the final settlement figures are announced on 25 February 2020. The level of funding under both headings have remained fairly constant over a number of years and are not anticipated to change significantly between the provisional and final settlement.

Table 1
Anticipated Capital Funding Available for 2020/21

Source of Funding	£'m	£'m
General Fund Capital Programme		
Funding brought forward from 2019/20	3.219	
General Capital Grant	2.165	
Supported Borrowing (including unutilised in 2019/20)	2.364	
Capital Receipts	0.828	
Capital Reserve	0.500	
Leisure VAT Reserve	0.750	
External Grants and Contributions	2.232	
Funding for the General Capital Programme (Council Fund)		12.058
21st Century Schools		
Supported Borrowing	2.680	
Unsupported Borrowing	3.679	
Welsh Government Grant	2.680	
Funding for 21st Century Schools		9.039
Housing Revenue Account (HRA)		
HRA Reserve	5.240	
HRA - In-year Surplus	8.988	
Welsh Government Major Repairs Allowance	2.660	
Unsupported Borrowing	0.250	
Funding for HRA		17.138
Total Capital Funding 2020/21		38.235

- 3.2. The value of the capital receipts identified includes an estimate sum of £550k generated from the potential sale of the Golf Course and an indication has been given by the Executive to use any capital receipts from the sale of the Golf Course to fund improvements to other leisure facilities. It also includes £100k from the sale of smallholdings, which has been previously earmarked to improve the existing smallholding properties.
- 3.3. £500k has been allocated from the Capital Reserve, which would leave a forecast balance of £640k, which is available to fund any emergency capital works which may arise during the year or to provide match funding if the offer of significant grant funding was received during the year which required a small amount of match funding.
- 3.4. The HRA funding is earmarked for HRA projects only and cannot be used for any other projects. The plan allows for the use of £5.24m in 2020/21, leaving £1m as the ongoing reserve balance. This is in accordance with the HRA Business Plan which has been previously approved by the Council.

4. DRAFT CAPITAL PROGRAMME (Committed Schemes)

4.1. 2019/20 Schemes Carried Forward

The following schemes will not be completed in 2019/20 and will carry forward to 2020/21.

Table 2

2019/20 Schemes Brought Forward

2019/20 Schemes Brought Forward	2020/21 £'000	2021/22 £'000	2022/23 £'000
Gypsy and Traveller Site – Star	670	-	-
Tourism Gateway	1,345	-	-
Holyhead Strategic Infrastructure	379	-	-
Holyhead Regeneration (THI Phase II)	900	1,500	460
Total Schemes Brought Forward	3,294	1,500	460

- 4.1.1 Temporary Gypsy & Traveller Site at Star – Following the purchase of the site and the initial design costs, £670k of the allocated budget remains unutilised and will not be spent before the end of the financial year. The final specification for the scheme is currently being drawn up and the tendering process will commence in early 2020.
- 4.1.2 Tourism Gateway – This is an EU grant funded scheme and no additional Council funding will be required in 2020/21.
- 4.1.3 Holyhead Strategic Infrastructure – This is a scheme funded under a Joint Venture agreement between the Council and Welsh Government to build new business premises with additional external grant funding. No additional Council funding will be required in 2020/21 to complete the scheme.
- 4.1.4 Holyhead Regeneration (THI Phase II) - £825k of the £900k required will be grant funded through the Heritage Lottery Fund, but an additional £75k match funding will be required. Given the level of grant compared to the Council's contribution, it is recommended that this scheme is included in the 2020/21 capital programme.

4.2. Refurbishing/Replacing Existing Assets

4.2.1 Each year, sums are allocated in the capital programme in order to maintain, upgrade or replace existing assets. The sums allocated have been reviewed by the Finance Team in consultation with the relevant service and the following sums are recommended for 2020/21:-

- **Disabled Facilities Grant (DFGs)** – In previous years, £750k has been allocated and this was supplemented in 2018/19 and 2019/20 by the use of Intermediate Care Fund grants. The Housing Service, who is responsible for the awarding of DFG grants, have indicated that £600k will be sufficient funding for 2020/21. However, as part of the Revenue Budget proposals, the cost of delivering DFG work will also be capitalised, with £36k being transferred from the revenue budget to the capital budget. This takes the total allocation to £636k. It will be necessary to increase the funding back to £750k in 2021/22 onwards.
- **Disabled Access in Education Buildings** - £300k has been allocated to meet the cost of these adaptations in previous years. Property Services have identified £978k required in 5 secondary schools and has programmed this work to take place over the next 3 years. As a result, the allocation of £300k is recommended again for 2020/21.
- **Refurbishment of Schools** – The backlog maintenance in schools is significant and cannot be funded in the short to medium term. The Property Services Team have identified the most urgent work to utilise the usual allocation of £1m.
- **Refurbishment of Non School Buildings** – Again, a backlog of work has been identified in the Council's offices, residential homes, day care facilities, libraries and leisure centres and there is insufficient funding to undertake this work in any one year. £600k has been allocated in previous years and this level of funding will be sufficient to meet the cost of the majority of the priority work required to be undertaken. This could be a potential area the Council could capitalise on new environmental and carbon reduction grants during the year.
- **Highways Resurfacing** – Highways have assessed that, as a minimum, £2.2m needs to be spent on the Council's highways in order to maintain the current standard. To bring all the Council's roads up to standard again would take an investment in the region of £15m to £30m. Welsh Government has allocated £20m to assist Councils with a Highways refurbishment programme. Anglesey's allocation of this grant funding for 2020/21 is £599k, which leaves £1.25m to be funded from the Council's core capital funding.
- **Vehicles** – A sum of £150k has been allocated in previous years to allow for the replacement of obsolete vehicles and to purchase more fuel efficient/ carbon neutral vehicles e.g. electric cars. However, in addition to the routine replacement of vehicles, 2 sets of vehicles are reaching the end of their useful life and need to be replaced, namely gritting lorries and Môn Community Transport minibuses. In both cases, the repair costs are increasing and there is an increasing risk that vehicles may not be available when they are needed. It is recommended that the vehicles are replaced over the next 3 years, with £300k being allocated for the purchase of new gritters each year for the next 3 years. The Fleet Manager intends to purchase 2 new MCT minibuses in 2020/21, funding one from the £150k allocated for the purchase of new vehicles, with an additional £30k being allocated in 2020/21.

- **I.T. Assets** – Continued investment is required to maintain the Council's core infrastructure and the replacement of devices used by staff to access systems. £171k has been identified as a sum required to maintain the core infrastructure with £121k required for desktop devices. In previous years, licensing costs were funded from capital funding but, as the pressure on the revenue budget has eased slightly, these costs have been transferred to the revenue budget, which releases some capital funding.

4.2.2 The recommended core funding allocations above are summarised in Table 3 below:-

Table 3
Recommended Allocation of Funding for Refurbishment / Replacement of Existing Assets 2020/21 – 2022/23

Refurbishing / Replacing Existing Assets	2020/21 £'000	2021/22 £'000	2022/23 £'000
Disabled Facilities Grants	636	750	750
Disabled Access in Education Buildings	300	300	300
Refurbishment of Schools	1,000	1,000	1,000
Refurbishment of Non School Buildings	600	600	600
Highways Resurfacing (£599k funded from WG Grant)	1,850	1,850	1,850
Vehicles	480	480	480
I.T. Assets	292	292	292
Total	5,158	5,272	5,272

4.2.3 The General Capital Funding received from Welsh Government for 2020/21 totals £4.324m. There has been little increase in the general capital allocation received from Welsh Government for a number of years as additional capital funding has been directed to specific projects e.g. 21st Century Schools. If this level of funding continues in 2021/22 and beyond, the Council's capital programme will either be limited to the refurbishment and replacement of existing assets or the allocations shown above will have to be reduced in order to free up funding to meet other commitments.

5. OTHER BIDS FOR ADDITIONAL FUNDING

- 5.1. Services were requested to put forward bids for capital funding. These bids were assessed by the Finance Team, using the scoring mechanism set out in the Capital Strategy, and then prioritised by the Senior Leadership Team. Excluding the 21st Century Schools programme, the Housing Revenue Account, the Leisure VAT reserve, any capital receipts which may be generated from the sale of the golf course (if the Executive decides to move ahead with the sale) and smallholdings, the total general core funding available for 2020/21 totalled £5.207m, of which £4.634m is allocated above (Table 2 & 3), leaving £0.573m surplus funding to fund new projects in 2020/21.
- 5.2. Having scored the projects (as per the methodology set out in paragraph 2.4) and following the review by the Senior Leadership Team, the following projects are recommended to be included in the 2020/21 capital programme (see Table 4 below):-

Table 4

Recommended One Off Capital Projects to be Funded in 2020/21

Project Title	Description	Sum Recommended £'000	Core Funding £'000	External Grant £'000
Economic Development and Environmental well being projects	Project development and match funding to be used as and when grant funding becomes available.	95	95	0
Porth y Wrach Slipway	Installation of vehicle recognition/ CCTV cameras at the slipway to monitor health and safety and to assist in the collection of launching fees.	30	30	0
Plas Mona	To upgrade facilities at the Residential Home.	80	80	0
Leisure Facilities Improvement Fund	To provide initial funding to begin the implementation of the "Developing Leisure Provision for Future Generations Plan." The plan will be presented to the Executive in due course which will detail the exact projects to be progressed using this funding and any potential external grants which the Council can secure.	250	250	0
Flood Relief Schemes	To fund the design of major schemes and to provide match funding (15%) to draw down Welsh Government grant funding for smaller schemes. WG grant would total £487k.	573	86	487
Holyhead Landscape Partnership	This will be fully funded from external grants.	1,146	0	1,146
TOTAL RECOMMENDED FUNDING TO BE ALLOCATED IN 2020/21		2,174	541	1,633

5.3 The Council has identified the need for flood relief works in a number of areas including Menai Bridge, Llanfair, Red Wharf Bay, Valley, Amlwch and Holyhead. The total cost of all of these schemes is estimated at between £10m and £12m. Even with 85% grant funding from Welsh Government, it would require the Council to allocate significant core capital funding to complete these schemes. At present, that funding is not available, however, the sum allocated above will allow the projects to be designed and be ready to implement as and when funding becomes available.

5.4 The bidding process also identified a number of projects which do not require funding in 2020/21 but may need to be funded in 2021/22 or beyond. These include the following:-

- ICT in Schools – The Council will receive grant funding to upgrade IT facilities within schools but the grant is conditional on the Council making a commitment to renew and upgrade these facilities in the future. This will require the release of an estimated £2m of funding in 5 years' time. By setting aside an annual sum e.g. £500k per annum, it is possible to build up a reserve that will be available to fund the future replacement costs.
- Flood mitigation on the B5109 at Fryars Bay. As no properties are at risk from the flooding in this area, the scheme does not attract grant funding from the Welsh Government under its current scheme. Should grant funding become available, the Council may need to consider releasing match funding in order to complete the mitigation works.
- The provision of learning disability day services is currently under review. The outcome of that review may recommend a capital investment in one or more centre in order to modernise the service. It is not clear at this point how much capital funding would be required but it is likely to be a significant sum.
- The Council is currently producing a "Developing Leisure Facilities for Future Generations" plan, designed to identify what will be required to maintain and improve the leisure facilities at the Council's 3 main leisure centres and other key locations. Around £750k is held in a leisure specific reserve and the funding available could be increased through the potential sale of the golf course, if the Council reaches that conclusion. However, the funding requirement is considerably higher and will require additional external funding to implement. Any additional investment to prepare for the Island Games would also require external grant funding support.
- The current Anglesey Connected equipment is nearing the end of its useful life and, in order to maintain the connections to the establishments currently served by Anglesey Connected, the equipment will need to be replaced or the connections need to be transferred to PSBA. It is estimated that, over a 3 year period, £180k will be required to complete the transition. However, moving away from Anglesey Connected would allow the masts to be sold, which would generate a capital receipt.
- The Council has invested sums over recent years in modernising its business processes by investing in back office systems and implementing the Customer Relationship Management (CRM) system. The next step is to begin to develop automated response systems to deal with customer queries (ChatBots). Although the Council is not in a position to implement the technology at the present time, the need to invest in such technology was identified as a future capital bid.
- In order to extend the areas where it is possible to generate fees from car parking or modernise the way motorists pay parking fees, it will be necessary to replace and/or increase the number of pay and display machines. This will require future capital investment.
- The Council is developing a corporate strategy to improve environmental performance and reduce carbon emissions. Whilst a number of existing or planned activities are funded, it is expected that the Council will need to allocate additional capital and revenue funding in the future to ensure it plays its part fully.

5.5 Smallholdings

Two bids were received for the upgrade of 2 smallholdings at a combined cost of £160k. Given the limited funding, it is recommended that the upgrade of smallholdings is funded from any capital receipts generated from the sale of land or buildings or from the sum allocated for repairs and maintenance in the revenue budget. It is expected that capital receipts of £100k will be received in 2020/21.

6 21ST CENTURY SCHOOLS

6.1 Due to the significant amount of Welsh Government funding the schemes will attract and the need to modernise the existing school estate, the Council is committed to funding these schemes through the use of unsupported borrowing and the capital receipts from the sale of old school sites. The 2020/21 Capital Programme allows for the completion of Band A projects and the commencement of Band B projects. It is for the Executive to decide what those projects will be and when they will be commenced.

6.2 The estimated cost of the programme in 2020/21 is £9.039m (net of any capital receipts), which will be funded from £2.68m Welsh Government grant, £2.68m supported borrowing and £3.679m unsupported borrowing.

7 HOUSING REVENUE ACCOUNT

7.1 The Housing Revenue Account is a ring fenced account in terms of both revenue and capital expenditure. The proposed programme for 2020/21 will see the continued investment in the existing stock to ensure continued compliance with the WHQS standards, with £6.645m being invested. A further £10.493m will be spent on developing new properties and in re-purchasing former right to buy properties.

7.2. The programme will be funded from: the HRA Reserve (£5.24m), the revenue surplus generated in 2020/21 (£8.988m), Welsh Government grants (£2.66m) and new unsupported borrowing (£0.25m).

8. SUMMARY RECOMMENDED CAPITAL PROGRAMME 2020/21

8.1. The recommended capital programme for 2020/21 is summarised in Table 5 below and analysed in further detail in Appendix 2.

Table 5

Summary Recommended Capital Programme 2020/21

	Ref	£'000
2019/20 Schemes Brought Forward	Para 4.1 & Table 2	3,294
Refurbishment / Replacement of Assets	Para 4.2.2 & Table 3	5,158
New One Off Capital Projects	Para 5.2 & Table 4	2,174
Smallholdings funded from capital receipts	Para 5.7	100
21 st Century Schools	Para 6	9,039
Housing Revenue Account	Para 7	17,138
Total Recommended Capital Programme 2020/21		36,903
Funded By:		
General Capital Grant		2,165
Supported Borrowing General		2,364
Capital Receipts		245
Capital Reserve		500
21 st Century Schools Supported Borrowing		2,680
21 st Century Schools Unsupported Borrowing		3,679
HRA Reserve & In Year Surplus		14,228
HRA Unsupported Borrowing		250
External Grants		7,572
2019/20 Funding Brought Forward		3,219
2020/21 Total Capital Funding		36,903

8.2 The total funding available for 2020/21, as set out in Table 1, is £38.235m. It is recommended that £36.903m is utilised, leaving an unused balance of £1.332m. This is made up of £750k VAT Leisure reserve, £550k estimated capital receipts from the potential sale of the Llangefni Golf Course and £32k of unallocated capital receipts.

It is recommended that the use of the VAT Leisure reserve and any potential capital receipts from the sale of the golf course are considered by the Executive when the draft Developing Leisure Provision for Future Generations Plan is presented to the Executive. The remaining £32k is carried forward as funding to be used in 2021/22.

Proposed Capital Programme 2020/21

Scheme Name	Budget 2020/21 £	Funded By								Total Funding £'000
		2019/20 B/F	General Capital Grant	Supported Borrowing	Capital Receipts	Capital Reserve	Unsupported Borrowing	External Grants	Reserves	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
2019/20 Schemes Brought Forward										
Star Gypsy and Traveller Site	670	670								670
Tourism Gateway	1,345	1,345								1,345
Holyhead Strategic Infrastructure	379	379								379
Holyhead Regeneration (THI Phase II)	900	825			75					900
Total 2019/20 Schemes Brought Forward	3,294	3,219	-	-	75	-	-	-	-	3,294
Refurbishment / Replacing Existing Assets – Building, Vehicles, IT & Highways										
Disabled Facilities Grants	636		636							636
Disabled Access in Education Buildings	300			300						300
Refurbish Schools	1,000			1,000						1,000
Refurbish – Non School Buildings	600			379	71	150				600
Highways Resurfacing	1,850		726	524		1		599		1,850
Purchase of New Vehicles	480		480							480
Upgrading / Replacing IT Equipment	292		292							292
Total Refurbishment / Replacing Existing Assets	5,158	-	2,134	2,203	71	151	-	599	-	5,158
New Capital Projects 2020/21										
Economic Development and Environmental Well Being	95			95						95
Porth Wrach Slipway – Enforcement Cameras	30			30						30
Refurbishment of Plas Mona Residential Home	80		31	36		13				80
Match Funding for Flood Relief Schemes	573					86		487		573
Leisure Improvements	250					250				250
Smallholding Refurbishments	100				100					100
Holyhead Landscape Partnership	1,146							1,146		1,146
Total New Capital Projects 2020/21	2,274	-	31	161	100	349	-	1,633	-	2,274

Scheme Name	Budget 2020/21 £	Funded By								Total Funding £'000	
		2019/20 B/F	General Capital Grant	Supported Borrowing	Capital Receipts	Capital Reserve	Unsupported Borrowing	External Grants	Reserves		
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
21st Century Schools / School Modernisation											
Completion of Band A Programme	5,297			1,355				2,587	1,355		5,297
Commencement of Band B Programme	3,742			1,325				1,092	1,325		3,742
Total 21st Century Schools / School Modernisation	9,039	-	-	2,680	-	-	-	3,679	2,680	-	9,039
TOTAL GENERAL FUND	19,765	3,219	2,165	5,044	246	500	-	3,679	4,912	-	19,765
Housing Revenue Account											
Planned Maintenance and WHQS Improvements	6,645								2,660	3,985	6,645
New Developments and re-purchase of RTB properties	10,493							250		10,243	10,493
Total Housing Revenue Account	17,138	-	-	-	-	-	-	250	2,660	14,228	17,138
TOTAL CAPITAL PROGRAMME 2020/21	36,903	3,219	2,165	5,044	246	500	-	3,929	7,572	14,228	36,903