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CYNGOR SIR YNYS MÔN
ISLE OF ANGLESEY
COUNTY COUNCIL

Mr Dylan Williams
Prif Weithredwr – Chief Executive

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RHYBUDD O GYFARFOD	NOTICE OF MEETING
PWYLLGOR GWAITH (CYLLIDEB)	**THE EXECUTIVE (BUDGET)**
DYDD IAU 27 CHWEFROR 2025 10.00 o'r gloch	**THURSDAY 27 FEBRUARY 2025 10.00 am**
YSTAFELL BWYLLGOR, SWYDDFEYDD Y CYNGOR AC YN RHITHIOL DRWY ZOOM	**COMMITTEE ROOM, COUNCIL OFFICES AND VIRTUALLY VIA ZOOM**
Swyddog Pwyllgor **Ann Holmes 01248 752518**	Committee Officer

AELODAU/MEMBERS

Plaid Cymru/The Party of Wales

Neville Evans, Carwyn E Jones, Dyfed Wyn Jones, Gary Pritchard, Alun Roberts, Nicola Roberts, Robin Wyn Williams

Y Grŵp Annibynnol/The Independent Group

Dafydd Roberts, Dafydd Rhys Thomas

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I Aelodau'r Cyngor Sir / To the Members of the County Council

Bydd aelod sydd ddim ar y Pwyllgor Gwaith yn cael gwahoddiad i'r cyfarfod i siarad (ond nid i bleidleisio) os ydy o/hi wedi gofyn am gael rhoddi eitem ar y rhaglen dan Reolau Gweithdrefn y Pwyllgor Gwaith. Efallai bydd y Pwyllgor Gwaith yn ystyried ceisiadau gan aelodau sydd ddim ar y Pwyllgor Gwaith i siarad ar faterion eraill.

A non-Executive member will be invited to the meeting and may speak (but not vote) during the meeting, if he/she has requested the item to be placed on the agenda under the Executive Procedure Rules. Requests by non-Executive members to speak on other matters may be considered at the discretion of The Executive.

Please note that meetings of the Committee are streamed for live and subsequent broadcast on the Council's website. The Authority is a Data Controller under the Data Protection Act and data collected during this live stream will be retained in accordance with the Authority's published policy.

A G E N D A

1. **APOLOGIES**

2 **DECLARATION OF INTEREST**

To receive any declaration of interest from any Member or Officer in respect of any item of business.

3 **URGENT MATTERS CERTIFIED BY THE CHIEF EXECUTIVE OR HIS APPOINTED OFFICER**

No urgent matters at the time of dispatch of this agenda.

4 **TREASURY MANAGEMENT STRATEGY STATEMENT 2025/26** (Pages 1 - 42)

To submit the report of the Director of Function (Resources)/Section 151 Officer.

5 **MEDIUM TERM FINANCIAL STRATEGY AND BUDGET 2025/26** (Pages 43 - 68)

To submit the report of the Director of Function (Resources)/Section 151 Officer**.**

6 **CAPITAL BUDGET 2025/26** (Pages 69 - 82)

To submit the report of the Director of Function (Resources)/Section 151 Officer.

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	**EXECUTIVE**
Date:	**27 FEBRUARY 2025**
Subject:	**TREASURY MANAGEMENT STRATEGY STATEMENT 2025/26**
Portfolio Holder(s):	**COUNCILLOR R WILLIAMS, DEPUTY LEADER AND PORTFOLIO HOLDER FINANCE & HOUSING**
Head of Service / Director:	**MARC JONES, DIRECTOR OF FUNCTION (RESOURCES) AND SECTION 151 OFFICER**
Report Author: Tel: E-mail:	**CLAIRE KLIMASZEWSKI** ClaireKlimaszewski@ynysmon.llyw.cymru
Local Members:	**n/a**

A – Recommendation/s and reason/s

- The Council is required to produce and publish an annual Treasury Management Strategy Statement (TMSS) before the start of each financial year. The Council, under the Local Government Act 2003 and Welsh Government Regulations, has to have due regard to the CIPFA Prudential Code and CIPFA Treasury Management Codes, the latest versions of which were published in 2021.

- This TMSS complies with the requirements in both codes and sets out all the requirements which must be followed in how the Isle of Anglesey County Council treasury management activities are conducted. This helps to ensure that the Council's investments are secure and sufficiently accessible so that there is enough cash to for day-to-day payments as they fall due. The TMSS, as required by the codes, also provides a framework to ensure that the Council's borrowing levels remain prudent and affordable.

- The CIPFA Prudential Code, 2021 (S29), introduced more frequent treasury management monitoring reports. The Council now produces treasury management quarterly reports, culminating in the year-end treasury management outturn report.

- These reports provide monitoring information on the forward-looking prudential indicators which are specified in the appendices within the TMSS. The quarterly reports highlight any significant variances from the approved indicators and include forecasts on the Council's borrowing and investments during the year.

- **Recommendations**
  - To review the Treasury Management Strategy for 2025/26 and submit comments to the full Council.

B – What other options did you consider and why did you reject them and/or opt for this option?

n/a

C – Why is this a decision for the County Council? Statutory requirement

It is a requirement of the Code that the Treasury Management Strategy Statement is approved by the full Council.
.

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 – Assessing the potential impact (if relevant)		
1	**How does this decision impact on our long term needs as an Island**	Treasury management is key to facilitating sustainability for the long-term needs of the Island, as borrowing plans help to fund capital expenditure to ensure assets are available now and into the future. Treasury plans must also be affordable to ensure that future generations are not disadvantaged by Treasury Management decisions taken in the short and medium term.
2	**Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority? If so, how:-**	The Treasury Management strategy and activity must be affordable to mitigate the impact on the future. Some capital expenditure funded by borrowing, such as Sustainable Communities for Learning and other invest to save schemes funded by borrowing, may help to reduce future costs.
3	**Have we been working collaboratively with other organisations to come to this decision, if so, please advise whom:**	Treasury Management activities often fund capital projects in partnership with other organisations, such as Welsh Government. The 21st Century Schools Programme / Sustainable Communities for Learning new schools/extensions were / are funded with significant funding from Welsh Government.
4	**Have Anglesey citizens played a part in drafting this way forward? Please explain how:-**	Anglesey Citizens are consulted each year about the annual capital programme, some of which is dependent on Treasury Management activities. More in-depth consultation occurs on some capital projects such as new school builds / school reorganisations.
5	**Note any potential impact that this decision would have on the groups protected under the Equality Act 2010.**	Newly built assets funded by borrowing will be compliant with the Equality Act and related regulations and guidance. Annual refurbishments and replacement programmes also help to increase accessibility and enable diversity.
6	**If this is a strategic decision, note any potential impact that the decision would have on those experiencing socio-economic disadvantage.**	The TMSS is required each year.
7	**Note any potential impact that this decision would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.**	Some of the projects funded by borrowing have a positive impact on the development and increase of the Welsh Language, such as the Welsh medium schools built as part of the 21st Century Schools Programme / Sustainable Communities for Learning Programme.

E – Who did you consult?		What did they say?
1	**Chief Executive / Leadership Team (LT)** (mandatory)	
2	**Finance / Section 151**(mandatory)	N/A – this is the Section 151 Officer's report.
3	**Legal / Monitoring Officer** (mandatory)	
4	**Human Resources (HR)**	
5	**Property**	
6	**Information Communication Technology (ICT)**	
7	**Procurement**	
8	**Scrutiny**	The strategy statement was reviewed by the Governance and Audit Committee on 11 February 2025 and the Committee recommended that the Executive accept the strategy without amendment.
9	**Local Members**	
10	**Other**	

F - Appendices:

1. Treasury Management Key Principles
2. Economic background
3. Interest rate forecasts
4. Loan maturity profile
5. MRP Policy Statement
6. Specified and non-specified investments
7. Counterparty criteria
8. Approved countries for investments
9. Treasury management scheme of delegation and the role of the Section 151 Officer
10. Prudential and Treasury Indicators
11. Explanation of Prudential and Treasury Indicators
12. Glossary of, and information on, Prudential & Treasury Management indicators

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

- 2024/25 Treasury Management Strategy Statement, approved by the full Council on 7 March 2024
- Annual Treasury Management Review 2023/24, approved by the full Council on 22 October 2024
- 2023/24 Capital Outturn Report, presented to this Committee on 23 July 2024
- 2024/25 Capital Budget Monitoring Quarter 2, presented to the Executive on 26 November 2024
- 2024/25 Treasury Management Mid-Year Report, presented to this Committee on 11 February 2025
- 2025/29 Capital Strategy – Isle of Anglesey County Council, 6 March 2025

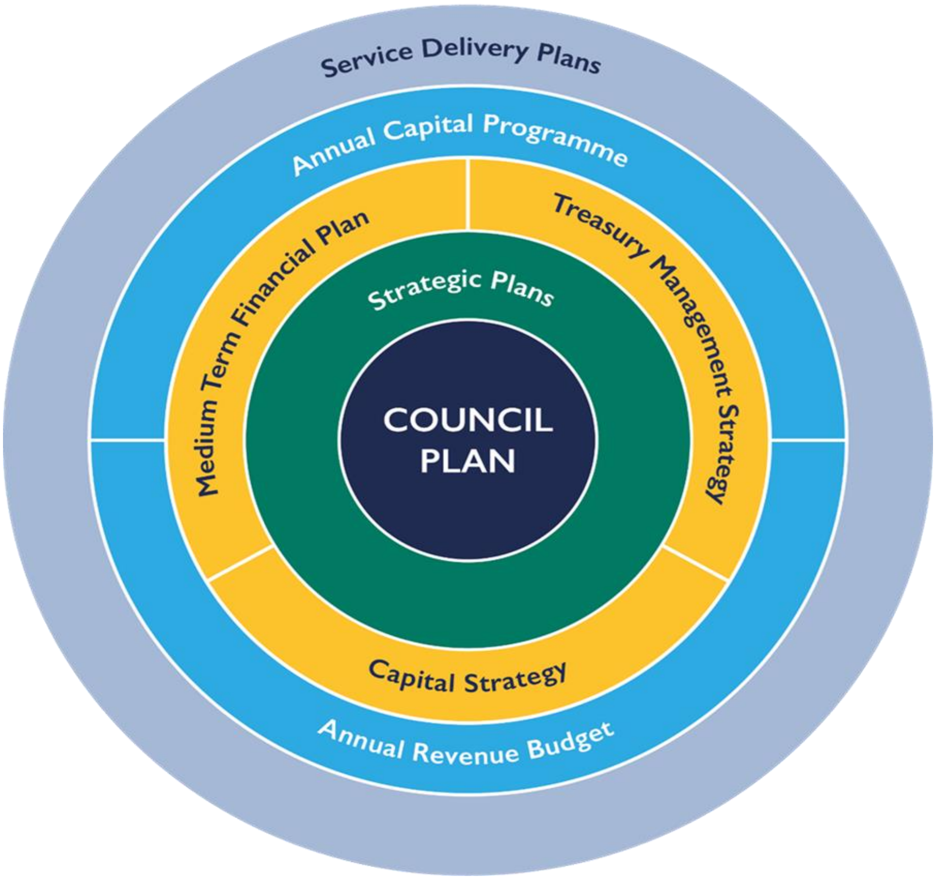
TREASURY MANAGEMENT STRATEGY STATEMENT

ANNUAL INVESTMENT STRATEGY, MINIMUM REVENUE PROVISION POLICY STATEMENT AND TREASURY MANAGEMENT POLICY STATEMENT 2025/26

1. INTRODUCTION

1.1 The Treasury Management Strategy Statement (TMSS) 2025/26 provides the framework for day-to-day and medium-term treasury management. It is completed with regard to the CIPFA Prudential Code 2021 and the CIPFA Treasury Code 2021.

1.2 The TMSS is a key part of the Council's strategic planning processes to help ensure that the Council is able to achieve its strategic objectives and vision. The Council's strategic circle below shows the Council Plan is central to the work of the Council. All the Council's strategic and operational plans must align with the Council Plan to deliver the services and priorities needed to achieve the strategic objectives of the Plan. The circle shows that the Treasury Management Strategy Statement, alongside the Capital Strategy and Medium-Term Financial Plan, are the key financial strategies to ensure that the Council's financial resources are managed in line with key legislation, CIPFA requirements and are focused on meeting the priorities of the Council. This helps ensure that the Council's finances are targeted at the right functions and services to achieve the Council's goals.



2. BACKGROUND

2.1. CIPFA defines treasury management as:-

"*The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks*."

2.2. Treasury management involves tasks which ensure that there is enough cash in the Council general account to pay day-to-day bills and the investment of surplus cash, over what is needed in the general account. These investments must be in highly secure accounts, such as UK banks with high credit ratings. The Council prioritises security of its funds, in line with the Code, and ensures that enough cash is instantly accessible so that the Council is able to pay suppliers, staff and benefits, at the required payment dates. The last consideration is yield, the Council invests to get the highest interest rate possible within the pool of organisations that are secure and meet the criteria in this strategy. The final element of Treasury Management is managing the Council's loan portfolio to ensure that the Council's borrowing is not too high and that the revenue costs of borrowing are affordable.

2.3. The contribution the treasury management function makes to the Council is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will, in effect, result in a loss to the Council's cash reserves.

3. ISLE OF ANGLESEY TREASURY MANAGEMENT POLICY STATEMENT

3.1 In addition to the corporate risk policies, register, actions and monitoring, the Council takes its responsibility for good stewardship of public funds seriously and all treasury management practices will have protection of public funds engrained. It is impossible to eliminate all risk, but all treasury management activities will be managed to reduce the risk Council funds are exposed to, as follows:-

3.1.1 Investment decisions will always prioritise security of the investment first. Liquidity is the second consideration, as the Council needs instant access to enough funds to pay day-to-day payments as they fall due. Finally, the Council will seek to maximise income earned on investments only if the investments are highly secure and if there is sufficient instant access to funds.

3.1.2 Bank deposits, or investments in banks or building societies, will only be placed in highly secure banks and building societies with high credit ratings in line with the criteria included in Appendix 7.

3.1.3 Loans to local authorities will be considered after due diligence checks have been completed.

3.1.4 Investments in AAA rated money market funds are permitted.

3.1.5 The Council will aim to keep a minimum of £10m in instant access accounts, if Council balances are sufficient.

3.1.6 The Council is committed to ensuring value for money in its treasury management activities, though within the context of protection of public funds.

3.1.7 The Council will internally borrow if there is sufficient cash balances, particularly when interest rates are rising, to reduce or delay interest payable.

3.1.8 If there is a borrowing need for eligible purposes, any borrowing should take into account whether rates are likely to rise or reduce in the medium-term. Short-term loans should mitigate interest payable if rates are likely to reduce in the short or medium-term, and longer-term loans should be considered if interest rates are forecast to increase in the medium to long-term.

3.1.9 Treasury management activity supports the achievement of the Council's key priorities and will be aligned with the Capital Strategy and the Medium-Term Financial Plan to ensure that investments are secure, accessible and interest receivable is optimised within secure investments. Borrowing will be based on the requirements of the Capital Strategy 2024/28 and annual programmes, but only if affordable, taking into account the financial scenario at the time and information in the Medium-Term Financial Plan, which is updated regularly.

3.1.10 Setting the Treasury Management Strategy cannot be undertaken in isolation, and consideration must be given to the economic situation, as this has an impact on investment interest rates, the cost of borrowing and the financial strength of counterparties**.**

4. EXTERNAL CONTEXT

4.1 A full summary of the economic outlook is set out in Appendix 2. Table 1 below shows the recent Bank of England base rate forecasts, inflation and PWLB rates provided by MUFG Corporate Markets, Limited. (MUFG).

Table 1
Forecast Bank Base Rate, Inflation and PWLB Rates March 2025 to December 2026

	Mar 2025	**Jun 2025**	**Sep 2025**	**Dec 2025**	**Mar 2026**	**June 2026**	**Sept. 2026**	**Dec. 2026**
Bank Rate (%)	4.50%	4.25%	4.00%	4.00%	3.75%	3.75%	3.75%	3.50%
Inflation (OBR October 2024)	2.60%	2.60%	2.60%	2.60%	2.30%	2.30%	2.30%	2.30%
5yr PWLB rate (%)	4.90%	4.80%	4.60%	4.50%	4.50%	4.40%	4.30%	4.20%
10yr PWLB rate (%)	5.10%	5.00%	4.80%	4.80%	4.70%	4.50%	4.50%	4.40%
25yr PWLB rate (%)	5.50%	5.40%	5.30%	5.20%	5.10%	5.00%	4.90%	4.80%
50yr PWLB rate (%)	5.30%	5.20%	5.10%	5.00%	4.90%	4.80%	4.70%	4.60%

4.2 The Bank of England's (BoE) target inflation, set by the Government, is 2%. Inflation started to creep up beyond this from August 2021, with the CPI rate reaching a high of 11.1% in October 2022 due to the impact of the invasion of Ukraine, which caused significant energy and food price increases. Inflation remained high for longer than anticipated, but started to decrease in April 2023, to 8.7%, with CPI reducing to 7.9% at the end of the first quarter of 2023/24. In 2024/25, inflation has reduced significantly, to the BoE target of 2% achieved in June 2024. Inflation rates continued to decrease in the second quarter, with CPI at 1.7% at 30 September 2024. While the forecasts of CPI for 2025 and 2026 are higher than the 2% target (see Inflation forecast by OBR, October 2024, above in Table 1), these rates are significantly better than in 2022 and 2023.

4.3 At the start of the pandemic, the base rate was reduced to its lowest point at 0.1% in support of the economy. In December 2021, the BoE increased the rate to 0.25%, and then increased the base rate at each meeting of the Monetary Policy Committee (MPC) between 0.25% to 0.75% at its highest increase. In August 2023, the MPC increased the base rate to 5.25%. The rate of 5.25% remained unchanged until 1 August 2024, when the base rate was reduced for the first time since 2020, to 5%, which was also the rate at 30 September 2024. The base rate has since reduced to 4.75%, and the markets are expecting a further cut on 6 February 2025 to 4.5%

4.4 The Council benefits from a higher base rate for investment of surplus cash, which has helped the Council earn more than £1m in interest receivable. However, loans to the Council are more expensive since the BoE started raising interest rates to try to control inflation. External borrowing is, therefore, delayed until cash balances can no longer sustain the use of Council balances to fund capital expenditure (internal borrowing).

5. THE COUNCIL'S CURRENT BORROWING POSITION

5.1 Borrowing PWLB – the Council's PWLB loan portfolio at 31 December 2024 is £117.693m as shown below in Table 2 below. The average rate across both maturing and annuity loans is 4.48%. The significant majority of loans are maturity loans which are repaid at the end of the loan period. Appendix 3 shows the repayment dates of the PWLB loans. No new PWLB loans were taken out during the year to 31 December 2024. This is due to the need to avoid borrowing while interest rates are increasing. Instead, Council cash balances have been used to fund capital expenditure. This is in line with MUFG advice on borrowing in the current economic climate. The opportunity cost of this is that there are less balances to invest, however, borrowing costs are higher than investment yields. To ensure the Council has enough cash to pay creditors and salaries, sufficient cash must remain in instant call accounts. Typically, the interest rates on these are much lower, so the Council is still able to make reasonable savings on interest payable while using cash balances.

Table 2
Public Works Loans Board (PWLB)

PWLB Loans at 31 December 2024			
	PWLB Maturity £'000	PWLB EIP/ Annuity £'000	Total PWLB Loans at 31 December 2024 £'000
Loan Outstanding	117,546	147	117,693
Average Life of Outstanding Loans (years)	28.64	3.77	28.61
Average rate (%)	4.47%	9.42%	4.48%

5.2 Borrowing Salix – Salix is a Welsh Government organisation which provides interest free loans and, more recently, grants for projects which support the environment and to help public sector bodies in Wales to work towards achieving their net zero target by 2030. The Council had £4.393m of interest free loans outstanding with Salix at 31 December 2024. These loans are repaid over a period of 8 or 10 years, depending on the agreement, with 2 repayments made per year, per loan. These loans have funded LED street lighting, LED lighting in schools and leisure centres and various other sustainable projects. Appendix 4 shows the payments due for each relevant financial year.

Table 3
Salix Loans at 31 December 2024

Salix Loans at 31 December 2024						
	Salix Loan 2 **£'000**	**Salix Loan 3** **£'000**	**Salix Loan 4** **£'000**	**Salix Loan 5** **£'000**	**Salix Loan 6** **£'000**	**TOTAL** **£'000**
Outstanding Balance	46	254	119	1,543	2,431	**4,393**
Repayment Date	2025/26	2027/28	2029/30	2031/32	2035/36	
Interest rate (%)	-	-	-	-	-	-

6. THE COUNCIL'S INVESTMENT BALANCES AS AT 31 DECEMBER 2024

6.1 The total balance of investments at 31 December 2024 was £22.541m, as shown in Table 4 below. The yield from these investments from 1 April 2024 to 31 December 2024 was £1.207m, with the total interest receivable on the below listed investments expected to be £1.552m for 2024/25. This figure is likely to be higher as new investments are made when these mature, however, cash balances are reducing as the financial year progresses, therefore, not all these investments will be viable to renew on maturity. The interest receivable will be shared on the appropriate basis between the Council Fund, the HRA, schools and external bodies the Council holds funds for, including the Trusts.

Table 4
Investments 1 April 2024 to 31 December 2024

Counterparty	Start Date	End Date	Interest Rate %	Investment Amounts 1 April to 31 December 2024 £	Investment Principal at 31 December 2024 £	Estimated Interest earned to 31 December 2024 £	Estimated Total Interest 2024/25 on these Investments £
Natwest Call Account	01/04/2024	31/03/2025	Variable	11,758,959	6,659,695	266,374	422,199
Nationwide Building Society	08/01/2024	08/04/2024	5.11%	5,000,000	-	63,700	63,700
Santander Uk Plc	09/02/2024	09/05/2024	5.19%	5,000,000	-	63,986	63,986
National Westminster	11/03/2024	11/06/2024	5.23%	5,000,000	-	65,912	65,912
Bank of Scotland Call Account - Lloyds	01/04/2024	31/03/2025	Variable	7,692,214	3,881,375	198,489	352,676
Goldmansachs International Bank	08/04/2024	08/10/2024	5.29%	5,000,000		132,612	132,612
Santander	09/05/2024	08/11/2024	5.07%	5,000,000	-	127,097	127,097
National Westminster	09/05/2024	09/08/2024	5.14%	5,000,000	-	64,778	64,778
National Westminster	11/06/2024	11/12/2024	5.23%	5,000,000	-	131,108	131,108
Santander Uk Plc	08/11/2024	10/02/2025	4.68%	5,000,000	5,000,000	33,978	60,263
Goldmansachs International Bank	08/10/2024	08/01/2025	4.78%	5,000,000	5,000,000	55,003	60,241
Bank of Scotland Call Account - Lloyds	16/12/2024	15/01/2025	4.75%	2,000,000	2,000,000	3,904	7,808
Total					**22,541,071**	**1,206,943**	**1,552,381**

7. IMPACT OF FUTURE PLANS ON BORROWING

7.1 Capital expenditure is partly funded from borrowing, therefore, the Capital Strategy and this strategy are closely linked. The capital expenditure summary 2025/26 to 2027/28 presents three options for capital expenditure. All three scenarios take into account the work needed on the Council's assets or whether replacement assets will be needed. The three options are presented as the base case, ambitious and ideal scenarios, with the ideal requirement being the amounts to bring all the Council assets to a high standard or new asset where replacements are needed. The capital expenditure in this strategy uses the first scenario –the base case, due to the significant funding shortfall for 2025/26 and, potentially, for the years beyond.

7.2 Table 5 below shows estimated expenditure and funding for the period 2023/24 to 2028/29. For 2025/26 onwards, this is the minimum level of capital investment due to significant funding issues.

Table 5
Estimated Capital Expenditure and Funding 2023/24 to 2028/29

	Actual 2023/24 £'000	Estimated 2024/25 £'000	Estimated 2025/26 £'000	Estimated 2026/27 £'000	Estimated 2027/28 £'000	Estimated 2028/29 £'000
Council Fund - excl. Investment Properties	27,924	39,162	22,207	8,315	7,196	7,061
HRA	19,806	27,841	25,438	26,266	11,368	10,969
Investment Properties	2,844	0	0	0	0	0
Total Expenditure	**50,574**	**67,003**	**47,645**	**34,581**	**18,564**	**18,030**
Capital Grants	29,936	41,670	29,677	14,543	5,351	5,351
Capital Receipts	98	940	500	0	0	0
Reserves & Revenue Contributions	16,376	16,573	7,893	8,983	7,962	8,337
Supported Borrowing	3,991	5,027	3,163	2,126	2,126	2,126
Unsupported Borrowing	38	2,777	6,412	8,929	3,125	2,216
Salix Loans	135	16	0	0	0	0
Total funding	**50,574**	**67,003**	**47,645**	**34,581**	**18,564**	**18,030**

7.3 An important factor to consider is the impact of borrowing on the Council's Capital Financing Requirement (CFR). The CFR is the measure of the Council's underlying borrowing need. Borrowing is not limited to external borrowing from PWLB but also the use of the Council's own cash balances (internal borrowing) which have been used to fund capital expenditure. While internal borrowing saves the Council in interest payable costs, the Minimum Revenue Provision (MRP) is charged on the basis of the underlying borrowing need (the CFR), not the actual borrowing. Table 6 shows the CFR for both the Council Fund and the HRA, after the MRP has been deducted. Table 7 shows the actual borrowing taken out by the Authority. The difference between the CFR and the actual borrowing is the amount of internal borrowing. This is also shown in Table 7.

Table 6
Capital Financing Requirement

	Actual 2023/24 £'000	Estimated 2024/25 £'000	Estimated 2025/26 £'000	Estimated 2026/27 £'000	Estimated 2027/28 £'000	Estimated 2028/29 £'000
CFR - Council Fund	108,542	111,141	117,333	119,949	121,352	122,725
CFR - HRA	38,151	38,083	37,057	42,118	49,718	51,409
Total CFR	**146,693**	**149,224**	**154,390**	**162,067**	**171,070**	**174,134**
Net movement in CFR	**2,583**	**2,530**	**5,166**	**7,677**	**9,003**	**3,064**

Table 7
Actual Borrowing and Internal Borrowing (Use of Cash Balances)

	Actual 2023/24 £'000	Estimated 2024/25 £'000	Estimated 2025/26 £'000	Estimated 2026/27 £'000	Estimated 2027/28 £'000	Estimated 2028/29 £'000
External Borrowing	122,410	122,163	124,705	132,899	141,789	146,756
Internal Borrowing	24,283	27,061	29,685	29,168	29,281	27,378
Total CFR	**146,693**	**149,224**	**154,390**	**162,067**	**171,070**	**174,134**

7.4 Capital expenditure will increase the CFR but only by the sum that is not funded from grants, capital receipts, reserves or revenue. The CFR will also reduce annually by the sum of the MRP which is charged to revenue. The level of the CFR is an important measure to ensure that the Council does not commit itself to unaffordable levels of borrowing.

7.5 In order to ensure that the Council has sufficient funds available to repay debt as it falls due, the Council is required to make a charge to the revenue account each year, and this charge is known as the MRP. Regulations require that the Council approves a MRP statement in advance of each financial year. The policy for 2025/26 is set out in Appendix 5. The Council's MRP policy was substantially revised in 2018, and again for the financial year beginning 1 April 2022. By making the MRP charge each year, the Council's cash balances are replenished and that, in turn, reduces the level of internal borrowing.

7.6 The Council may choose to pay more MRP in any given year. These overpayments of MRP (which, in the Council's case, are to ensure enough cash for loan repayments) can, if needed, be reclaimed in later years. Up until 31 December 2024, the total overpayments were £216k, and related specifically to the Salix loans where the MRP charged to the revenue account has been calculated on the basis of the life of the loan rather than on the life of the asset which was funded by the loan. This ensures that the Council has sufficient cash to repay the loans when they become due for repayment.

8. BORROWING STRATEGY

8.1 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the CFR) has not been fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent, as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy.

Against this background, and the risks within the economic forecast, caution will be adopted with the 2025/26 treasury operations. The Section 151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:-

- If it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.
- If it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.
- MUFG's long-term (beyond 10 years) forecast is 3%. All PWLB certainty rates are currently significantly above this rate. Therefore, better value can be gained from short-term investments until the bank rates reduce.

8.2 External v Internal Borrowing

8.2.1 Current conditions indicate a need for a flexible approach to the choice between internal and external borrowing. However, it remains the case that there are certain limitations to externalise borrowing. Careful on-going consideration needs to be given to the difference between borrowing rates and investment rates to ensure the Council obtains value for money once an appropriate level of risk management has been attained to ensure the security of its investments.

8.2.2 In favour of internalisation, over the medium term, investment rates are expected to continue to be below long-term borrowing rates. This means that value for money considerations would indicate that value could best be obtained by avoiding new external borrowing and by using internal cash balances to finance new capital expenditure, or to replace maturing external debt (this is referred to as internal borrowing). This would maximise short term savings.

8.2.3 However, short term savings by avoiding new long term external borrowing in 2025/26 must also be weighed against the potential for incurring additional long term extra costs by delaying unavoidable new external borrowing, as PWLB long term rates are now higher. Additionally, the cash flow implications of internalising borrowing require regular review and will limit the potential extent of internalising borrowing.

8.3 Borrowing in Advance of Need

8.3.1 The Council will not borrow more than, or in advance of, its needs, purely, in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved CFR estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

8.4 Debt Rescheduling

8.4.1 Rescheduling of current borrowing in our debt portfolio may be considered whilst premature redemption rates remain elevated, but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.

8.4.2 All rescheduling will be reported to the Governance & Audit Committee at the earliest practicable meeting following its action.

8.5 Borrowing from other Financial Institutions

8.5.1 The PWLB is the Council's main source of borrowing, with some loans from the Welsh Government owned organisation, Salix, for funding of energy efficiency and low carbon projects. The PWLB certainty rate is gilts & 80 basis points (0.8%). Consideration may be given to borrowing from the below:-

- Local authorities;
- UK Municipal Bond Agency – pooled loans;
- Corporate Loans;
- Money Market Funds.

9. DEBT PROFILE

9.1 Appendix 4 shows the maturity information of the Council's borrowing. The existing borrowing is due to be repaid in various years up to 2068/69. The Council aims to ensure that the repayment date is arranged so as to smooth out repayments as far as possible, but priority will be given to the interest rate payable when determining the type of loan (maturity or annuity) and the length of the loan.

Table 8
Maturity Profile of PWLB and Salix Loans, 31 December 2024

Number of Years until Loan Matures	Principal £'000
<1	577
1 to 3	5,403
4 to 6	5,359
7 to 10	3,128
11 to 14	6,411
15 to 22	17,994
23 to 33	50,251
34 to 50	32,963
TOTAL	**122,086**

10. INVESTMENT STRATEGY AND CREDITWORTHINESS POLICY

10.1 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The Council aims to have an agile investment strategy appropriate to optimise returns. Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.

10.2 Management of Risk

The Isle of Anglesey County Council is one of the smallest local authorities in Wales. It receives the second lowest settlement from Welsh Government, with Merthyr Tydfil receiving the lowest. The Council does not have the large council balances some of the larger authorities hold, though there are larger councils with similar balances or less. Management of risk is the primary consideration for all of the Council's investments.

10.2.1 The Council's investment priorities will be security first, portfolio liquidity second and then yield (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, with the Council's risk appetite being for low-risk investments only.

10.2.2 Minimum acceptable **credit criteria** (Appendix 7) are applied to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

10.2.3 **Other information:** ratings will not be the sole determinant of the quality of an institution: It is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate.

10.2.4 Investments can be specified or non-specified (Appendix 7 defines these and provides further information. The Council, in line with its requirement for investing in low risk investments, will only invest in specified investments.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year, or have less than a year left to run to maturity if originally, they were classified as being non-specified investments solely due to the maturity period exceeding one year.
- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year and / or are more complex instruments which require greater consideration by Members and officers before being authorised for use.

10.2.5 Lending limits (amounts and maturity) for each counterparty will be set through applying the matrix table as set out in the Creditworthiness section of this strategy.

10.2.6 This Council will set a limit for the amount of its investments which are invested for longer than 365 days (see Appendix 10).

10.2.7 The Council will only invest in counterparties outside the UK if the credit ratings are AAA or above and if there are exceptional circumstances, such as the creditworthiness of UK investments are compromised. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating** (see Appendix 9).

10.2.8 This Council has engaged **external consultants** to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Council in the context of the expected level of cash balances and need for liquidity throughout the year.

10.2.9 All investments will be denominated in **sterling.**

10.3 Creditworthiness Policy

10.3.1 The primary principle governing the Council's investment criteria is the security of its investments. After this main principle, the Council will ensure that:-

- It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
- It will only invest in counterparties which have credit ratings as outlined in Appendix 7.

10.3.2 As an additional layer to the minimum credit rating criteria described above, this Council also employs the creditworthiness service provided by MUFG.

10.3.3 The MUFG creditworthiness service uses a wider array of information than just primary ratings and, by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

- All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the MUFG creditworthiness service. If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

10.3.4 Significant levels of downgrades to short and long-term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Accordingly, when setting minimum sovereign debt ratings, the Council will not set a minimum rating for the UK.

10.4 Country Limits

The Council has determined that, with the exception of the UK, it will only use approved counterparties from countries with a minimum sovereign credit rating of AAA from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The list of countries that qualify using this credit criteria, as at the date of this report, are shown in Appendix 8. This list will be added to or deducted from by officers should ratings change in accordance with this policy. In practice, investments tend to be placed in UK banks for security reasons. The list is included for the unlikely event of there being an exceptional need to invest in highly secure counterparties in other countries. For example, in the event of UK banks losing their creditworthiness and failing the specific Counterparties Council's criteria.

11. GOVERNANCE AND CONTROL

11.1 The Prudential Code reflects a move towards self-regulation for local authorities, and effective corporate governance is one of the key elements to the successful implementation of the Code.

11.2 Corporate Governance includes the following elements:-

- A formal role for the Section 151 Officer;
- Setting and monitoring of Prudential and Treasury Indicators;
- A scheme of delegation and a process of formal approval;
- Reporting on Treasury Management matters to Members.

11.3 Role of the Section 151 Officer and Members

11.3.1 The Section 151 Officer is responsible for ensuring that matters relating to Treasury Management and Capital Financing are taken into account and reported to the Executive / full Council for consideration, and that procedures are established to monitor performance.

11.3.2 The Section 151 Officer must ensure that prudential indicators are set and monitored in order to demonstrate the legislative requirement that the Council's financial plans are affordable.

11.3.3 Members also play an important role in not just authorising the relevant decisions but also in scrutinising treasury management processes, decisions and performance. In order to undertake this role, the CIPFA Treasury Management Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny. In order to support the scrutiny role of the members of the Governance & Audit Committee, the Committee's members received training in treasury management, delivered by the appointed treasury management consultants on 14 September 2022. Further training will be arranged when required. The training needs of treasury management officers are regularly reviewed and addressed.

11.3.4 The Council officers involved in treasury management activities have comprehensive knowledge and skills for managing the treasury management function. The Section 151 Officer plays a key role in Treasury Management and approves or rejects any investments proposed by the team. The Council also provides training to increase the knowledge and skills for those responsible for management, delivery, governance and decision making.

11.3.5 A formal record of the training received by officers central to the Treasury function will be maintained by the Resources Performance Team. Similarly, a formal record of the treasury management / capital finance training received by Members will also be maintained by the Head of Democratic Services.

11.3.6 The Treasury Management Scheme of Delegation and a fuller explanation of the role of the Section 151 Officer is set out in Appendix 9.

12. TREASURY MANAGEMENT ADVICE

12.1 The Council uses MUFG Corporate Markets Treasury Limited (MUFG) (formerly called Link Group) as its external treasury management advisors. In accordance with procurement regulations, the Council retendered this service during early 2021, for the period 1 April 2021 to 31 March 2025, with an option to extend for two years, with Link Group, Treasury Solutions being the successful tender.

12.2 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers. Final responsibility for treasury management decisions remains with the Council.

13. PRUDENTIAL AND TREASURY INDICATORS

13.1 The Prudential and Treasury Indicators set out in Appendix 10 cover affordability, prudence and sets out limits for capital expenditure, external debt, the liability benchmark and the maturity structure of borrowing. It is for the Council to set the Prudential Indicators and it is important to not just consider the indicators for each individual year in isolation, but also to consider the past performance and the future forecasts. A fuller explanation of the purpose of each indicator is set out in Appendix 10.

14. REPORTING

14.1 The Council is required to receive and approve, as a minimum, five main reports each year, which incorporate a variety of polices, estimates and actuals.

- Prudential and Treasury Management Indicators and Treasury Strategy - the first and most important report (this report) is forward looking and covers:-
- the Treasury Management Strategy (how the investments and borrowings are to be organised), including treasury management indicators;
- an Investment Strategy (the parameters on how investments are to be managed);
- a Minimum Revenue Provision (MRP) Policy (how residual capital expenditure is charged to revenue over time);
- a Treasury Management Policy Statement (definition of the policies and objectives of the treasury management function); and
- the capital plans (including the associated prudential indicators).

14.2 Quarterly treasury management monitoring reports - these will update Members with the progress of the capital position, amending prudential indicators as necessary and whether the treasury strategy is meeting its objectives or whether any policies require revision.

14.3 An annual treasury year-end report - this is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

14.4 The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Governance & Audit Committee for the mid-year and year-end reports. The Executive will scrutinise the quarter 1 and quarter 3 reports, which were introduced by the Prudential Code 2021.

15. CONCLUSION

15.1 In summary, the Treasury Management Strategy Statement for 2025/26 continues the strategy of prudent approach to borrowing, in order to limit the revenue implications, and using internal borrowing where cash balances allow. The investment strategy continues the policy of ensuring the security and liquidity of deposits over yield.

15.2 It is envisaged that, over the lifetime of the strategy, that the continued use of reserves to contribute to fund the revenue budget and the use of the Housing Revenue Account to fund capital expenditure will reduce cash balances significantly. An increased level of borrowing will have to be undertaken in order to fund the Council’s capital programme, whilst still maintaining sufficient cash balances to fund liabilities as they fall due.

APPENDIX 1

The CIPFA Treasury Management in the Public Services: Code of Practice – provided by MUFG Corporate Markets Treasury Limited (formerly Link Group)

The key principles of CIPFA's ***Treasury Management in the Public Services: Code of Practice (2021 Edition)***, as described in Section 4 of that Code are as follows:-

Key Principle 1:
Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.

Key Principle 2:
Their policies and practices should make clear that the effective management and control of risks are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and portfolio liquidity when investing treasury management funds.

Key Principle 3:
They should acknowledge that the pursuit of value for money in treasury management and the use of suitable performance measures are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that, within the context of effective risk management, their treasury management policies and practices should reflect this.

The Code then goes on to say that:-

"In framing these recommendations, CIPFA acknowledges the difficulties of striving for effective risk management and control, whilst at the same time pursuing value for money. This Code does not seek to be prescriptive about how this issue should be handled, particularly since it covers such a wide variety of organisations. However, where appropriate, the sector specific guidance notes give suitable advice. CIPFA recognises that no two organisations in the public services are likely to tackle this issue in precisely the same manner, but success in this area of treasury management is likely to be viewed, especially in value for money terms, as an indicator of a strongly performing treasury management function."

"It is CIPFA's view that throughout the public services the priority is to protect capital rather than to maximise return. The avoidance of all risk is neither appropriate nor possible. However, a balance must be struck with a keen responsibility for public money."

Accordingly, the Authority will adopt, as part of the standing orders, the following four clauses:-

1. The Authority will create and maintain, as the cornerstones for effective treasury management:-

- a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities; and

- suitable treasury management practices (TMPs) setting out the manner in which the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the Policy Statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the Authority. Such amendments will not result in the Authority materially deviating from the Code's key principles.

2. The County Council, Executive Committee and the Governance & Audit Committee will receive reports on the Authority's treasury management policies, practices and activities, including: an annual strategy and plan in advance of the year, a mid-year review report and an annual report after its close, in the form prescribed in the TMPs.

3. The County Council / Executive Committee are responsible for the implementation of the Authority's treasury management policies and practices in accordance with the Treasury Management Scheme of Delegation. The Section 151 Officer is responsible for the execution and administration of treasury management decisions, who will act in accordance with the Authority's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

4. The Authority nominates the Governance & Audit Committee to be responsible for ensuring effective scrutiny of treasury management strategy and policies.

Economics and Interest Rate update - produced by MUFG Corporate Markets Treasury Limited (formerly Link Group)

- The third quarter of 2024/25 (October to December) saw:
  - GDP growth contracting by 0.1% m/m in October following no growth in the quarter ending September;
  - The 3myy rate of average earnings growth increase from 4.4% in September to 5.2% in October;
  - CPI inflation increase to 2.6% in November;
  - Core CPI inflation increase from 3.3% in October to 3.5% in November;
  - The Bank of England cut interest rates from 5.0% to 4.75% in November and hold them steady in December.
  - 10-year gilt yields starting October at 3.94% before finishing up at 4.57% at the end of December (peaking at 4.64%).

The 0.1% m/m fall in GDP in October was the second such decline in a row and meant that GDP would need to rise by 0.1% m/m or more in November and December, for the economy to grow in Q4 as a whole rather than contract. With on-going concern over the impact of the October budget and drags from higher interest rates and weak activity in the euro zone, our colleagues at Capital Economics have revised down their forecast for GDP growth in 2025 to 1.3% (it was initially 1.8% in the immediate wake of the Budget.)

This quarter saw the composite activity Purchasing Manager Index (PMI) dip below the level of 50 that separates expansion from contraction for the first time since October 2023. Although December's composite PMI came in above this level, at 50.5, this was still consistent with the 0% rise in real GDP in Q3 being followed by a flat-lining, or potential contraction, in the final quarter of 2024. However, the economy is unlikely to be quite as weak as that given that the PMIs do not capture rises in government spending, but the data does underline the continued divergence in trends between the manufacturing and services sectors. The manufacturing PMI fell for its fourth consecutive month in December, from 48.0 in November to 47.3. That's consistent with manufacturing output falling by 1.5% q/q in the final quarter of 2024 after flatlining through the summer months. This weakness in the manufacturing sector was offset by a rebound in the services sector. The services PMI rose from 50.8 in November to 51.4 in December, which is consistent with non-retail services output growth increasing from +0.1% q/q to +0.3% for October - December. This suggests that more of the recent slowdown in GDP is being driven by the weakness in activity overseas rather than just domestic factors. Additionally, the services output prices balance rose for the third consecutive month, from 55.4 in November to 56.9, showing signs that price pressures are reaccelerating.

After rising by 1.4% q/q in July - September, the retail sector had a difficult final quarter of the year. Indeed, the bigger-than-expected 0.7% m/m fall in retail sales in October (consensus forecast -0.3% m/m) suggested that households' concerns about expected tax rises announced in the Budget on 30th October contributed to weaker retail spending at the start of the quarter. The monthly decline in retail sales volumes in October was reasonably broad based, with sales in five of the seven main sub sectors slipping. However, the potential for seasonally adjusted sales to rise in November - if October's figures were impacted by the timing of the school half term – combined with a rebound in consumer confidence and rising real incomes, points to some promise to the final quarter of 2024

The Government's October budget outlined plans for a significant £41.5bn (1.2% of GDP) increase in taxes by 2029/30, with £25bn derived from a 1.2% rise in employers' national insurance contributions. The taxes are more than offset by a £47bn (1.4% of GDP) rise in current (day-to-day) spending by 2029/30 and a £24.6bn (0.7% of GDP) rise in public investment, with the latter being more than funded by a £32.5bn (1.0% of GDP) rise in public borrowing. The result is that the Budget loosens fiscal policy relative to the previous government's plans - although fiscal policy is still being tightened over the next five years – and that GDP growth is somewhat stronger over the coming years than had previously been forecasted. By way of comparison, the Bank of England forecasts four-quarter GDP growth to pick up to almost 1¾% through 2025 (previously forecast to be 0.9%) before falling back to just over 1% in 2026.

December's pay data showed a rebound in wage growth that will likely add to the Bank of England's inflationary concerns. The 3myy rate of average earnings growth increased from 4.4% in September (revised up from 4.3%) to 5.2% in October (consensus forecast 4.6%) and was mainly due to a rebound in private sector pay growth from 4.6% to 5.4%. Excluding bonuses, public sector pay stagnated in October and the 3myy rate fell from 4.7% to 4.3%.

The number of job vacancies also fell again from 828,000 in the three months to October to 818,000 in the three months to November. This marks the first time it has dropped below its pre-pandemic February 2020 level of 819,000 since May 2021. Despite this, the Bank of England remains concerned about the inflationary influence of high wage settlements as well as the risk of a major slowdown in labour market activity.

CPI inflation has been on the rise this quarter, with the annual growth rate increasing from 1.7% in September to 2.3% in October, before rising further to 2.6% in November. Although services CPI inflation stayed at 5.0% in November, the Bank had expected a dip to 4.9%, while the timelier three-month annualised rate of services CPI rose from 5.0% to 5.1%. That shows that there currently isn't much downward momentum. Moreover, the wider measure of core CPI inflation rose from 3.3% to 3.5% in November. Both services and core inflation are currently at rates well above those consistent with the 2.0% target and are moving in the wrong direction. Capital Economics forecast that after dipping to 2.5% in December, CPI inflation will rise further in January, perhaps to 2.8%. Although CPI inflation is expected to be back at close to the 2.0% target by the end of 2025, given that a lot of the rise in inflation in the coming months will be due to base effects that won't persist, the potential for a broader set of tariffs to arise from the US as well as the constant threat of geo-political factors to impact energy and food prices suggest risks remain very much to the upside.

Throughout the quarter gilt yields have risen. The 10-year gilt yield increased from 3.94% at the start of October to 4.57% by the year end (and has subsequently risen to 4.64% early in 2025). As recently as mid-September 10-year gilt yields were at their low for the financial year, but since then, and specifically after the Budget at the end of October, yields have soared. Overall, the reaction to the UK Budget highlights how bond markets are both fragile and highly attentive to news about the fiscal outlook.

The FTSE 100 started off this quarter at 8,276, before finishing up at 8,121. In particular, UK markets have continued to fall further behind US equities, a trend which has accelerated since Trump's election victory in November, partly due to the UK stock market being less exposed to AI hype, and it being weighed down by its relatively large exposure to the energy and materials sectors.

MPC meetings: 7th November & 18th December 2024

- On 7 November, Bank Rate was cut by 0.25% to 4.75%. The vote was 8-1 in favour of the cut, but the language used by the MPC emphasised "gradual" reductions would be the way ahead with an emphasis on the inflation and employment data releases, as well as geo-political events.
- At the 18 December meeting, another split vote arose. Members voted 6-3 to keep Bank Rate on hold at 4.75%, but dissenters (Dhingra, Ramsden and Taylor) were keen for rates to be cut further as concerns over the slowing down of the UK economy took root, despite near-term inflation fears remaining.
- The MPC again stated that "a gradual approach" to rate cuts "remains appropriate" and that policy will "remain restrictive for sufficiently long".

2. Interest rate forecasts

The Council has appointed MUFG Corporate Markets (formerly Link Group) as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012. For Housing Revenue Account authorities, the lower Housing Revenue Account (HRA) PWLB rate has also been available since 15 June 2023 (standard rate minus 60 bps) but is available for HRA borrowing only.

The latest forecast, updated on 11th November, sets out a view that both short and long-dated interest rates will start to fall once it is evident that the Bank of England has been successful in squeezing excess inflation out of the economy, despite a backdrop of stubborn inflationary factors and a tight labour market.

Following the 30th October Budget, the outcome of the US Presidential election on 6th November, and the 25bps Bank Rate cut undertaken by the Monetary Policy Committee (MPC) on 7th November, we significantly revised our central forecasts for the first time since May. In summary, our Bank Rate forecast is now 50bps – 75bps higher than was previously the case, whilst our PWLB forecasts have been materially lifted to not only reflect our increased concerns around the future path of inflation, but also the increased level of Government borrowing over the term of the current Parliament.

If we reflect on the 30th October Budget, our central case is that those policy announcements will be inflationary, at least in the near-term. The Office for Budgetary Responsibility and the Bank of England concur with that view. The latter have the CPI measure of inflation hitting 2.5% y/y by the end of 2024 and staying sticky until at least 2026. The Bank forecasts CPI to be 2.7% y/y (Q4 2025) and 2.2% (Q4 2026) before dropping back in 2027 to 1.8% y/y.

The anticipated major investment in the public sector, according to the Bank, is expected to lift UK real GDP to 1.7% in 2025 before growth moderates in 2026 and 2027. The debate around whether the Government's policies lead to a material uptick in growth primarily focus on the logistics of fast-tracking planning permissions, identifying sufficient skilled labour to undertake a resurgence in building, and an increase in the employee participation rate within the economy.

There are inherent risks to all the above. The worst-case scenario would see systemic blockages of planning permissions and the inability to identify and resource the additional workforce required to deliver large-scale IT, housing and infrastructure projects. This would lead to upside risks to inflation, an increased prospect of further Government borrowing & tax rises, and a tepid GDP performance.

Our central view is that monetary policy is sufficiently tight at present to cater for some further moderate loosening, the extent of which, however, will continue to be data dependent. We forecast the next reduction in Bank Rate to be made in February and for a pattern to evolve whereby rate cuts are made quarterly and in keeping with the release of the Bank's Quarterly Monetary Policy Reports (February, May, August and November). Any movement below a 4% Bank Rate will, nonetheless, be very much dependent on inflation data in the second half of 2025.

Regarding our PWLB forecast, the short to medium part of the curve is forecast to remain elevated over the course of 2025, and the degree to which rates moderate will be tied to the arguments for further Bank Rate loosening or otherwise. The longer part of the curve will also be impacted by inflation factors, but there is also the additional concern that with other major developed economies such as the US and France looking to run large budget deficits there could be a glut of government debt issuance that investors will only agree to digest if the interest rates paid provide sufficient reward for that scenario.

Moreover, Donald Trump's victory in the US President election paves the way for the introduction/extension of tariffs that could prove inflationary whilst the same could be said of any further tax cuts and an expansion of the current US budget deficit.

Invariably the direction of US Treasury yields in reaction to his core policies will, in all probability, impact UK gilt yields. So, there are domestic and international factors that could impact PWLB rates whilst, as a general comment, geo-political risks abound.

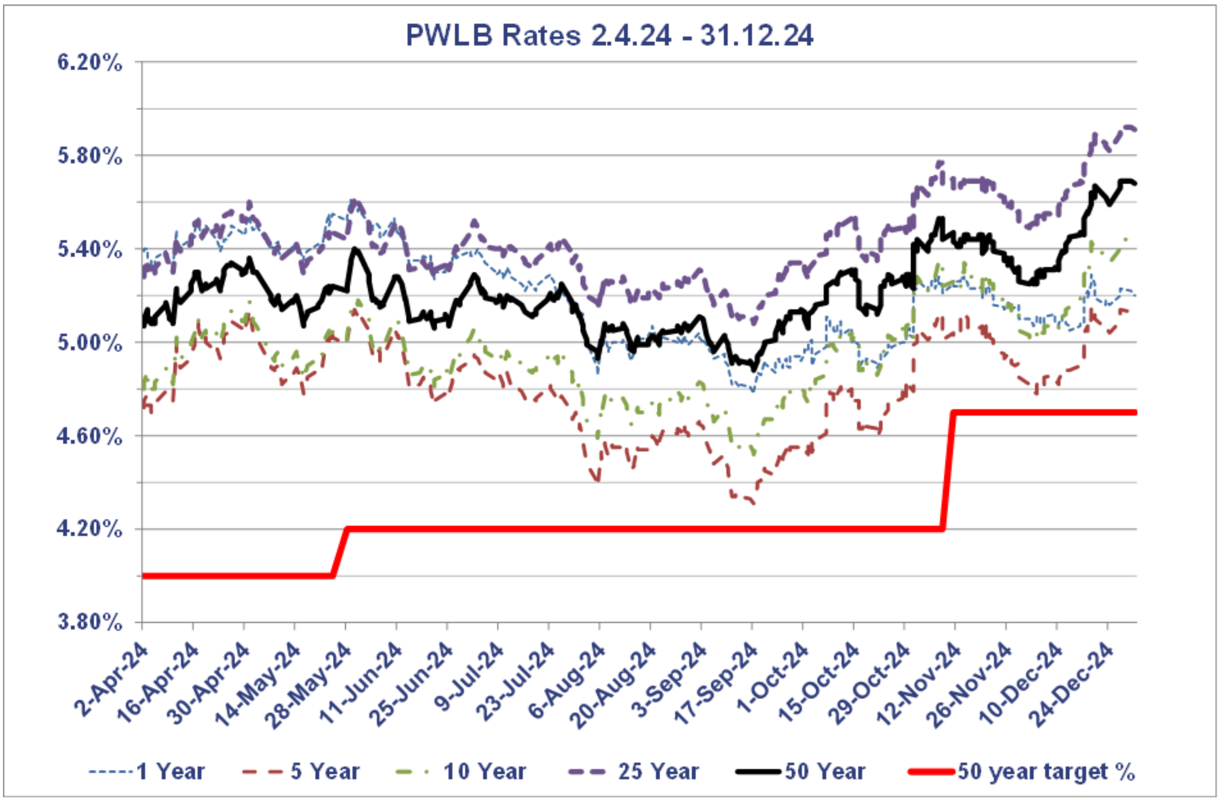
In summary, regarding PWLB rates, movement in the short-end of the curve is expected to reflect Link's Bank Rate expectations to a large degree, whilst medium to longer-dated PWLB rates will remain influenced not only by the outlook for inflation, domestically and globally, but also by the market's appetite for significant gilt issuance (£200bn+ for each of the next few years). As noted at the Link November Strategic Issues webinars, there is upside risk to that part of our forecast despite the Debt Management Office skewing its issuance to the shorter part of the curve.

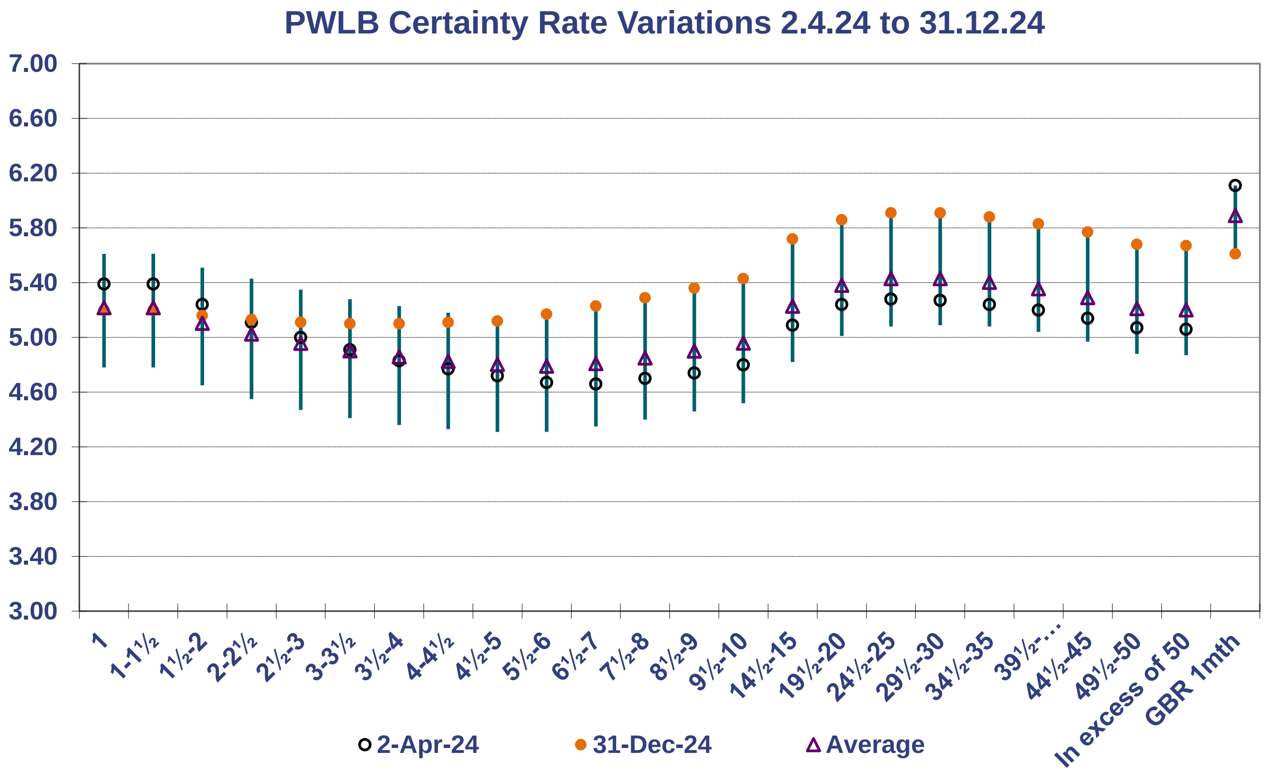
Link Group Interest Rate View	11.11.24												
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

- Money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.
- The Link forecast for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.

In the chart below, the rise in gilt yields across the curve in the first half of 2023/24, and therein PWLB rates, is clear to see, prior to the end of year rally based on a mix of supportive domestic and international factors.

PWLB RATES 2.4.24 to 31.12.24





HIGH/LOW/AVERAGE PWLB RATES FOR 02.04.24 – 31.12.24

	1 Year	5 Year	10 Year	25 Year	50 Year
02/04/2024	5.39%	4.72%	4.80%	5.28%	5.07%
31/12/2024	5.20%	5.12%	5.43%	5.91%	5.68%
Low	4.78%	4.31%	4.52%	5.08%	4.88%
Low date	17/09/2024	17/09/2024	17/09/2024	17/09/2024	17/09/2024
High	5.61%	5.16%	5.44%	5.92%	5.69%
High date	29/05/2024	19/12/2024	19/12/2024	19/12/2024	27/12/2024
Average	5.22%	4.80%	4.96%	5.43%	5.21%
Spread	0.83%	0.85%	0.92%	0.84%	0.81%

APPENDIX 3

PWLB Loans Repayment Dates at 31 December 2024

Financial year	Loan Maturity Date	Interest Rate %	Repayment Amount £
2026/27	01/04/2026	3.67	527,601
	30/09/2026	8.63	853,800
2026/27 Total			**1,381,401**
2027/28	01/04/2027	3.73	490,601
	19/08/2027	5.20	1,000,000
	30/09/2027	7.00	674,502
2027/28 Total			**2,165,103**
2028/29	01/04/2028	3.80	262,440
	01/03/2029	9.50	17,135
2028/29 Total			**279,575**
2029/30	01/04/2029	3.85	684,697
	09/05/2029	9.25	3,356
	06/06/2029	9.38	11,111
	01/09/2029	9.25	6,210
	30/09/2029	8.63	853,800
	06/12/2029	9.25	10,936
2029/30 Total			**1,570,110**
2030/31	01/04/2030	3.91	450,706
	09/05/2030	9.38	7,919
	01/09/2030	9.75	12,901
	09/11/2030	9.75	4,365
	06/12/2030	9.75	9,074
	01/03/2031	9.25	7,140
2030/31 Total			**492,105**
2031/32	01/04/2031	3.96	660,449
	30/09/2031	8.63	1,280,700
2031/32 Total			**1,941,149**
2032/33	01/04/2032	4.01	314,886
	06/06/2032	9.25	24,731
	06/12/2032	9.50	30,954
	01/03/2033	9.88	1,168
2032/33 Total			**371,739**
2033/34	01/04/2033	4.05	636,565
2033/34 Total			**636,565**
2034/35	01/04/2034	4.09	623,834
2034/35 Total			**623,834**
2035/36	01/04/2035	4.13	611,357
2035/36 Total			**611,357**
2036/37	01/04/2036	4.16	599,130
2036/37 Total			**599,130**
2037/38	01/04/2037	4.18	587,147
2037/38 Total			**587,147**
2038/39	01/04/2038	4.20	225,467
2038/39 Total			**225,467**

Financial year	Loan Maturity Date	Interest Rate %	Repayment Amount £
2039/40	15/04/2039	4.95	5,000,000
2039/40 Total			**5,000,000**
2040/41	15/04/2040	4.95	3,500,000
2040/41 Total			**3,500,000**
2042/43	01/04/2042	4.25	999,781
2042/43 Total			**999,781**
2043/44	01/04/2043	4.25	1,020,120
2043/44 Total			**1,020,120**
2044/45	01/04/2044	4.25	1,009,718
2044/45 Total			**1,009,718**
2045/46	01/04/2045	4.25	11,464,215
2045/46 Total			**11,464,215**
2050/51	16/01/2051	4.15	2,000,000
2050/51 Total			**2,000,000**
2052/53	19/05/2052	4.05	5,000,000
	12/10/2052	4.55	4,300,000
	09/11/2052	4.55	6,138,400
	20/11/2052	4.20	6,800,000
	11/12/2052	4.25	6,000,000
2052/53 Total			**28,238,400**
2054/55	06/05/2054	8.38	3,000,000
2054/55 Total			**3,000,000**
2055/56	15/11/2055	8.00	1,500,000
	15/12/2055	7.88	2,000,000
2055/56 Total			**3,500,000**
2056/57	15/04/2056	7.13	3,000,000
	10/10/2056	7.88	2,000,000
2056/57 Total			**5,000,000**
2057/58	15/04/2057	7.13	6,000,000
	15/10/2057	6.50	2,512,854
2057/58 Total			**8,512,854**
2059/60	22/06/2059	4.25	1,763,308
2059/60 Total			**1,763,308**
2064/65	25/03/2065	2.24	10,000,000
2064/65 Total			**10,000,000**
2066/67	30/03/2067	2.20	6,200,000
2066/67 Total			**6,200,000**
2068/69	16/01/2069	2.49	15,000,000
2068/69 Total			**15,000,000**
Grand Total			**117,693,078**

APPENDIX 4

Salix Loans Repayment Dates

Financial year	Salix Loan Repayments £
2025/26	577,033
2026/27	531,413
2027/28	531,413
2028/29	531,413
2029/30	454,613
2030/31	441,413
2031/32	441,413
2032/33	220,977
2033/34	220,977
2034/35	220,977
2035/36	220,977
Total	**4,392,618**

Minimum Revenue Provision (MRP) Policy Statement 2025/26

The Council is required to pay off an element of the accumulated Council Fund and HRA capital spend funded by borrowing, each year (the Capital Financing Requirement - CFR) through a revenue charge (the minimum revenue provision - MRP),

The Welsh Government statutory guidance requires the Council to approve a MRP Statement in advance of each year. The guidance also states "if it is ever proposed to vary the terms of the original statement during the year, a revised statement should be put to the Council at that time". A variety of options is provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Policy Statement:-

From 1st April 2022, for all Council Fund and HRA capital expenditure funded by supported and unsupported borrowing (CFR), MRP will be charged on the asset life - annuity method at the Council's average interest rate on all of its loans at the end of each relevant year-end.

Capital expenditure incurred each year will not be subject to a MRP charge until the following financial year or, in some cases, at the discretion of the Section 151 Officer, the year after the asset becomes operational where the costs incurred on the asset are £5m or higher.
The estimated asset life of the asset would be determined in the year the MRP commences and would not change over the life of the asset. The estimated life periods will be set by the Section 151 Officer, based upon advice received from the relevant officers, and will have regard to statutory requirements and Welsh Government guidance in relation to MRP and asset life. Where land is purchased, the asset life will be based on the asset life of the asset placed on the land, which in the majority of cases will be 50 years, in line with the asset life for buildings.

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. In addition, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

MRP Overpayments - Under the MRP guidance, any charges made in excess of the statutory MRP can be made, known as voluntary revenue provision (VRP).

The Council retains the right to make additional voluntary revenue provision (VRP) to reduce debt if deemed prudent for the Council Fund and / or the HRA

VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year.

Cumulative VRP overpayments made to date are £0.216m and £12.386m from the over-provision of MRP following the change in MRP policy in 2018.

Leased Assets into the Authority

MRP in respect of right of use assets leased into the Council or PFI (Private Finance Initiative) will, from 1 April 2024, be charged at an amount equal to the principal element of the annual repayment.

Capitalisation Directive

The Authority will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.

Loans to Third Parties

In the exceptionally rare event of the Council providing a loan to a third party. For capital expenditure on loans to third parties where the principal element of the loan is being repaid in annual instalments. The capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP. Where no principal repayment is made in a given year, MRP will be charged at a rate in line with the life of the assets funded by the loan.

Specified and Non-Specified Investments

The Welsh Government 'Guidance on Local Government Investments' (effective from 1 April 2010) provides the definition of specified and non-specified investments.

Paragraph 5.1 of the 'Guidance' states that an investment is specified if all of the following apply:-

(a) the investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling; and

(b) the investment is not a long-term investment (*); and

(c) the making of the investment is not defined as capital expenditure by virtue of regulation 20(1)(d) of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 [SI 3239 as amended]; and

(ch) the investment is made with a body or in an investment scheme of high credit quality (**); or with one of the following public-sector bodies:

- **(i)** the United Kingdom Government;
- **(ii)** a local authority in England or Wales (as defined in Section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland;
- **(iii)** a parish or community council.

The 'Guidance' also states that any investment not meeting the definition of paragraph 5.1 is classified as a non-specified investment.

During 2025/26, the Council does not intend to make any investments in foreign currencies, nor any with low credit quality bodies, nor any that are defined as capital expenditure by legislation (such as company shares). Non-specified investments will, therefore, be limited to (i) long-term investments; and (ii) deposits with the Council's own banker for transactional purposes if it fails to meet the basic credit criteria; in this instance, balances will be minimised as far as is possible

The table in Appendix 7 set out the investment criteria and limits for the categories of investments intended for use during 2025/26 and, therefore, form the basis for the approved lending list.

Any proposed revisions or amendments during the year to the categories of specified and non-specified investments to be used and / or to the associated credit rating criteria / investment limits will be subject to prior approval by the County Council.

Counterparty Criteria Investments

Category	Short Term Credit Rating (Fitch)	Short Term Credit Rating (Moody's)	Short Term Credit Rating (Standard & Poor's)	Long Term Credit Rating (Fitch)	Long Term Credit Rating (Moody's)	Long Term Credit Rating (Standard & Poor's)	Cash Limit	Time Limit
Bank and Building Societies (not nationalised or part nationalised)	F1+	P-1	A-1+	AAA	Aaa	AAA	£10m	5 years
	F1+	P-1	A-1+	AA	Aa2	AA	£10m	3 years
	F1+	P-1	A-1+	AA-	Aa3	AA-	£10m	364 days
	F1	P-1	A-1	A	A2	A	£7.5m	6 months
Nationalised / Part Nationalised UK Banks	n/a	n/a	n/a	n/a	n/a	n/a	£10m	364 days
NatWest Bank business account and cash manager – when amounts are held in the NatWest as part of operational banking. The following amounts and limits will apply to ensure adequate cash is available to pay bills as they fall due.	F1	P-1	A-1	A+	A1	A+	1) £20m to £25m 2) £15m to £20m 3) £10m to £15m	5 working days 1 month 2 months
UK Central Government (irrespective of credit rating)	n/a	n/a	n/a	n/a	n/a	n/a	No maximum	No maximum
UK Local Authorities*	n/a	n/a	n/a	n/a	n/a	n/a	£10m	364 days
Money Market Funds	n/a	n/a	n/a	AAA	AAA	AAA	£5m	6 months

*****_as defined in the Local Government Act 2003_

Notes and Clarifications

(1) Cash Limit

(i) The cash limits apply both to the individual counterparty and to the overall group to which it belongs (e.g. for the banks within the Lloyds Banking Group plc (being Bank of Scotland plc and Lloyds Bank plc), the investment limit applies to those banks individually and the banking group as a whole);

(ii) The overall cash limit for deposits over 364 days is £15m.

(2) Time Limit

(i) This up to and including the period indicated.

(3) Foreign Countries

(i) Investments in foreign countries will be limited to those that hold a sovereign credit rating of (Fitch) AAA or equivalent (from the agencies referred to in section 4.3 of this strategy) sovereign credit rating (based upon the lowest common denominator), and to a maximum of £5m per foreign country.

(ii) Investments in countries whose lowest sovereign rating is not AA or above will not be permitted. No country limit will apply to investments in the UK, irrespective of the sovereign credit rating.

(iii) Subsidiaries of foreign banking groups will normally be assessed according to the country of domicile of the parent organisation. However, Santander UK plc (a subsidiary of Spain's Banco Santander) will be classed as a UK bank due to its substantial UK franchises and the arms-length nature of the parent-subsidiary relationships.

(4) Credit Rating Downgrade

Should a credit rating downgrade place a counterparty below the minimum credit rating criteria for investment, the counterparty will cease to be used as soon as practicable.

If the Section 151 Officer wishes to continue investing with that counterparty, approval will be sought from the Chair of the Governance & Audit Committee plus one other member of the Chair's choosing, who both must approve the action. This will then be reported as appropriate at the next available opportunity.

Approved countries for investments [correct as at 25 November 2024]

This list is based on those countries which have sovereign ratings of AA- or higher (we show the lowest rating from Fitch, Moody’s and S&P) and also (except - at the time of writing - for Hong Kong, and Luxembourg) have banks operating in sterling markets which have credit ratings of green or above in the MUFG credit worthiness service.

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA-

- U.K.

Treasury management scheme of delegation

(i) County Council

- budget approval;
- approval of the annual Treasury Management Strategy Statement, Annual Investment Strategy and MRP Policy, annual Treasury Management Policy Statement and amendments thereto;
- approval of amendments to the Council's adopted clauses;
- receiving and reviewing monitoring reports on treasury management policies, practices and activities; and
- acting on recommendations received from the Governance & Audit Committee and / or Executive Committee.

(ii) Executive Committee

- budget consideration;
- approval of the division of responsibilities;
- approval of the selection of external service providers and agreeing terms of appointment;
- receiving and reviewing monitoring reports on treasury management policies, practices and activities and making recommendations to the County Council as appropriate; and
- acting on recommendations received from the Governance & Audit Committee.

(iii) Governance & Audit Committee

- Scrutiny of Treasury Management matters as required by CIPFA's Code of Practice on Treasury Management and the Council's Treasury Management Policy. This includes:-

  - scrutinising the annual Treasury Management Strategy Statement, Annual Investment Strategy, Annual MRP Policy, Annual Treasury Management Policy and Treasury Management Practices and making recommendations to the Executive Committee and County Council as appropriate;
  - scrutinising proposals for amendments to the annual Treasury Management Strategy Statement, Annual Investment Strategy, Annual MRP Policy, Annual Treasury Management Policy and Treasury Management Practices and to the adopted clauses and making recommendations to the Executive and County Council as appropriate;
  - receiving and scrutinising any other proposals relating to the Treasury Management which require a decision by the Executive or County Council; and
  - receiving and scrutinising the Treasury Management mid-year report and Treasury Outturn report monitoring reports on treasury management policies, practices and activities and make recommendations to the Executive and County Council as appropriate.

The Treasury Management role of the Section 151 Officer

The Section 151 (responsible) Officer's role includes:-

- recommending clauses, treasury management policy / practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;

- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers;
- responsibility for the execution and administration of its Treasury decisions, including decision on borrowing, investment and financing, have been delegated to the Section 151 Officer, who will act in accordance with the Council's policy statements and TMP's;
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe;
- ensuring that the capital strategy is prudent, sustainable and affordable in the long term and provides value for money;
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the Authority;
- ensure that the Authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing;
- ensuring the proportionality of all investments so that the Authority does not undertake a level of investing which exposes the Authority to an excessive level of risk compared to its financial resources;
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities;
- provision to Members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees;
- ensuring that Members are adequately informed and understand the risk exposures taken on by the Authority;
- ensuring that the Authority has adequate expertise, either in house or externally provided, to carry out the above;
- creation of Treasury Management Practices (TMP) which specifically deal with how non treasury investments will be carried out and managed, to include the following:-
    - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;

    - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;

    - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

    - Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;

    - Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

PRUDENTIAL INDICATORS FOR 2023/24 – 2028/29

	Prudential Indicators	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Affordability		**Actual**	**Estimate**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
	Council Fund	3.16%	3.01%	2.61%	2.59%	2.54%	2.53%
	Housing Revenue Account (inclusive of settlement)	5.09%	6.04%	4.74%	6.28%	8.24%	8.83%
	Total	3.77%	3.62%	3.00%	3.43%	4.14%	4.41%
Prudence							
3	**Gross debt and the Capital Financing Requirement (CFR)**						
	Is the gross external debt < the CFR for the preceding year plus the estimates of any additional CFR for the current and the next two financial years?	✓	✓	✓	✓	✓	✓
Capital Expenditure							
4,5	**Estimates of [or actual] capital expenditure**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	Council Fund	30,768	39,162	22,207	8,315	7,196	7,061
	Housing Revenue Account	19,806	27,841	25,438	26,266	11,368	10,969
	Total	**50,574**	**67,003**	**47,645**	**34,581**	**18,564**	**18,030**
6,7	**Estimates of [or actual] Capital Financing Requirement**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	Council Fund	108,542	111,141	117,333	119,949	121,352	122,725
	Housing Revenue Account	38,151	38,083	37,057	42,118	49,718	51,409
	Total	**146,693**	**149,224**	**154,390**	**162,067**	**171,070**	**174,134**
8	**Authorised Limit**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	General Borrowing	154,390	162,067	171,070	174,134	176,230	181,461
	Other long term liabilities	5,000	5,000	5,000	5,000	5,000	5,000
	Total	**159,390**	**167,067**	**176,070**	**179,134**	**181,230**	**186,461**

	Prudential Indicators	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
9	**Operational Boundary**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	General Borrowing	**144,390**	**152,067**	**161,070**	**164,134**	**166,230**	**171,461**
	Other long term liabilities	5,000	5,000	5,000	5,000	5,000	5,000
	Total	**149,390**	**157,067**	**166,070**	**169,134**	**171,230**	**176,461**
10	**Actual External Debt**	**122,410**	**122,163**	**124,705**	**132,899**	**141,789**	**146,756**
Treasury Management							
		out-turn	**estimate**	**proposal**	**proposal**	**proposal**	**proposal**
11	**The limit for total principal sums invested for periods longer than 364 days**	**15,000**	**15,000**	**15,000**	**15,000**	**15,000**	**15,000**
	(any long term investments carried forward from previous years will be included in each year's limit)						
12	**The upper limits for the maturity structure of fixed rate borrowing**						
	• under 12 months	<20%					
	• 12 months and within 24 months	<20%					
	• 24 months and within 5 years	<20%					
	• 5 years and within 10 years	<30%					
	• 10 years and above	No upper limit					

APPENDIX 11

Information on Prudential & Treasury Management indicators

PRUDENTIAL INDICATORS

A) Affordability

1 & 2 Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

The estimates of financing costs include current commitments and the proposals in this budget report.

B) Prudence

3 Gross Debt and the CFR

The Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2025/26 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

C) Capital expenditure

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

This provides a summary of the Council's capital expenditure. It reflects matters previously agreed and those proposed for the forthcoming financial periods.

The extent to which such expenditure is to be financed will influence how the Council's Capital Financing Requirement Indicator will change.

4 & 5 Estimates of Capital Expenditure

This is the forecast Capital Expenditure from 2022/23 to 2025/26, and is based on the Capital Programme for 2022/23 and the Capital Strategy for 2025/26.

6 & 7 The Council's borrowing need (the Capital Financing Requirement)

Another prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which, broadly, reduces the borrowing need in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR and, therefore, the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £nil of such schemes within the CFR.

CH) External Debt

8. **The authorised limit for external debt**. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

The Section 151 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans and the proposals in the budget report.

9. **The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

10. **Actual external debt.** The Council has to disclose the closing balance for actual gross borrowing in respect of the financial period just ended, together with the level of other long-term liabilities, and so the actual aggregate level of external debt at the Balance Sheet date.

TREASURY INDICATORS

11. **Limits for Long Term Treasury Management Investments.** This Indicator is seeking to support control of liquidity risk. The limits should be set with regard to the Council's liquidity needs and also reduce the potential need to have to make early exit from an investment in order to recover funds. The indicator relates solely to the Council's investments for treasury management purposes.

12. **Maturity Structure of Borrowing.** The Council is required to set gross limits on maturities for the periods shown and covers both fixed and variable rate borrowings. The reason being to try and control the Council's exposure to large sums falling due for refinancing.

13. **Liability Benchmark.** The new prudential indicator for 2025/26 is the Liability Benchmark (LB). The Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years.

There are four components to the LB: -

1. **Existing loan debt outstanding**: the Council's existing loans that are still outstanding in future years.

2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement**: this will show the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

Glossary

CAPITAL EXPENDITURE
Capital expenditure is expenditure on the purchase of a non-current asset, which will be used in providing services beyond the current financial year, or expenditure which adds to, and not merely maintains, the value of an existing non-current asset. Examples include: the building of a new school, the purchase of IT equipment, a major refurbishment of a care home.

CAPITAL FINANCING
Funds that are available to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL FINANCING REQUIREMENT
The total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need.

CAPITAL PROGRAMME
The capital schemes the Council intends to carry out over a specific period of time.

CAPITAL RECEIPTS
Capital receipts represent the proceeds from the disposal of land or other non-current assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government, but they cannot be used to finance revenue expenditure.

CIPFA
This is The Chartered Institute of Public Finance and Accountancy, the lead professional and regulatory body for local Authority accounting.

HOUSING REVENUE ACCOUNT (HRA)
The HRA is a separate account to the Council Fund, and includes the income and expenditure arising from the provision of housing accommodation by the Council.

INTEREST RECEIVABLE OR PAYABLE
The effective interest rate method is used to measure the carrying value of a financial asset or liability measured at cost less accumulated amortisation, and to allocate associated interest income or expense to the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to equal the amount at initial recognition. The effective interest is adjusted to the actual interest payment or receipt through the Movement in Reserves Statement to ensure only actual interest is charged to Council Tax. For financial assets and liabilities carried at cost because the effective rate of interest is the same as the carrying rate of interest, the carrying value is adjusted for accrued interest.

MINIMUM REVENUE PROVISION (MRP)
The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

NET DEBT
The Net Debt is the Council's borrowings less cash and liquid resources.

PUBLIC WORKS LOANS BOARD (PWLB)
A Central Government Agency which provides loans for one year and/or more to authorities at interest rates only slightly higher than those at which the government can borrow itself.

REVENUE EXPENDITURE FUNDED BY CAPITAL UNDER STATUTE (REFCUS)
Expenditure which can be properly deferred (i.e. treated as capital in nature), but which does not result in, or remain matched with, a tangible asset. Examples of deferred charges are grants of a capital nature to voluntary organisations.

REVENUE SUPPORT GRANT
A grant paid by Central Government to authorities, contributing towards the general cost of their services.

SUPPORTED BORROWING
The Council borrows money to fund part of its capital programme. This borrowing is recognised by Central Government in its calculation of formula funding for the Council.

TEMPORARY BORROWING
Money borrowed for a period of less than one year.

UNSUPPORTED BORROWING
The Council can borrow additional money to the borrowing supported by Government to finance its capital expenditure as long as it is affordable and sustainable. This power is governed by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code, with which the Council fully complies.

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ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO:	**EXECUTIVE COMMITTEE**
DATE:	**27 FEBRUARY 2025**
SUBJECT:	**MEDIUM TERM FINANCIAL STRATEGY AND BUDGET 2025/26**
PORTFOLIO HOLDER(S):	**COUNCILLOR R WILLIAMS – DEPUTY LEADER & PORTFOLIO HOLDER – FINANCE & HOUSING**
HEAD OF SERVICE:	**MARC JONES – DIRECTOR OF FUNCTION (RESOURCES / SECTION 151 OFFICER**
REPORT AUTHOR: TEL: E-MAIL:	**MARC JONES** 01248 752601 rmjfi@ynysmon.gov.wales
LOCAL MEMBERS:	**n/a**

A - Recommendation/s and reason/s

1. MEDIUM TERM FINANCIAL STRATEGY AND 2025/26 REVENUE BUDGET

1.1 Purpose

The Executive is required to agree a number of key matters in respect of the 2025/26 budget. This will then allow the final recommendations to be presented to the full Council at its meeting on 6 March 2025. The matters requiring agreement are:-

- The Council's Revenue Budget and resulting Council Tax for 2025/26;
- The Council's updated Medium Term Financial Strategy;
- The use of any one-off funds to support the budget.

1.2 Summary

This paper shows the detailed revenue budget proposals requiring final review and agreement for 2025/26, and the resulting impact on the Isle of Anglesey County Council's revenue budget. These are matters for the Council to agree, and the Executive is asked to make final recommendations to the Council.

The paper also updates the Medium Term Financial Strategy, which provides a context for work on the Council's future budgets. However, it should be noted that a further report on the Council's Medium Term Financial Strategy will be presented to the Executive later in the year, when further information on the ecomony and the proposed future local government financial settlement may be clearer.

2. 2025/26 REVENUE BUDGET AND COUNCIL TAX RECOMMENDATIONS

The Executive is requested :-

- To determine how to allocate the additional funding received and agree the final details of the Council's proposed budget, ;
- To note the Section 151 Officer's recommendation that the Council should maintain a minimum of £9.75m general balances;
- To note the comments made by the Section 151 Officer on the robustness of the estimates made, as set out in Section 5 of Appendix 1;
- to set and recommend the final net budget for the County Council and resulting increase in the level of Council Tax to the full Council, noting that a formal resolution, including the North Wales Police and Town / Community Council precepts, will be presented to the Council on the 6 March 2025;

- To authorise the Section 151 Officer to make such changes as may be necessary before the submission of the final proposals to the Council;
- To agree that any unforeseen pressures on demand led budgets during the financial year will be able to draw upon funding from the general contingencies budget;
- To request the Council to authorise the Executive to release up to £250k from general balances if the general contingencies budget is fully committed during the year;
- To delegate to the Section 151 Officer the power to release funding from the general contingency up to £50k for any single item. Any item in excess of £50k not to be approved without the prior consent of the Executive;
- To confirm that the level of Council Tax Premium for second homes and empty homes is maintained at 100%.

B - What other options did you consider and why did you reject them and/or opt for this option?

A number of options were considered following the issue of the initial budget proposals. The final budget proposals take account of the final local government settlement, views expressed during the consultation process and the views of the Scrutiny Committee.

C - Why is this a decision for the Executive?

The Council's Constitution requires the Executive to publish its final budget proposal prior to its consideration by the Council.

CH - Is this decision consistent with policy approved by the full Council?

Yes. The final decision on the 2025/26 revenue budget will be taken by the full Council at its meeting on 6 March 2025.

D - Is this decision within the budget approved by the Council?

N/A

Dd – Assessing the potential impact (if relevant):

1	How does this decision impact on our long term needs as an Island?	In drawing up the budget proposal, the Executive has considered its statutory duties and the objectives set out in its Corporate Plan.
2	Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority? If so, how?	The details of any savings proposals are set out in the report.
3	Have we been working collaboratively with other organisations to come to this decision? If so, please advise whom	The Council has been working with other Councils and the WLGA to press the Welsh Government for the best financial settlement possible.
4	Have Anglesey citizens played a part in drafting this way forward, including those directly affected by the decision? Please explain how.	The budget proposals have been subject to a consultation process, the details of which are included in the report. The Executive has considered the results of the consultation before agreeing the final budget proposal. Discussions on the budget proposals have also taken place at :- School Finance Forum Older People's Forum Town and Community Council Forum
5	Note any potential impact that this decision would have on the groups protected under the Equality Act 2010.	Any proposals included in the final budget for 2025/26 will take into account the impact on any protected groups.

6	If this is a strategic decision, note any potential impact that the decision would have on those experiencing socio-economic disadvantage.	The budget will result in an increase in the Council Tax payable by the taxpayers of Anglesey. Those experiencing socio-economic disadvantage are more likely to qualify for help through the Council Tax Reduction Scheme, which should result in no financial impact / limited financial impact to those who are experiencing socio-economic disadvantage.
7	Note any potential impact that this decision would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.	No impact identified.

DD - Who did you consult?		**What did they say?**
1	**Chief Executive / Leadership Team (LT)** (mandatory)	The Chief Executive and Leadership Team have been part of the budget setting process throughout and and are in agreement with the report and support the final budget proposal.
2	**Finance / Section 151** (mandatory)	N/A – this is the Section 151 Officer's report.
3	**Legal / Monitoring Officer** (mandatory)	The Monitoring Officer is part of the LT and, as such, the Officer's comments have been taken into account.
4	**Human Resources (HR)**	-
5	**Property**	-
6	**Information Communication Technology (ICT)**	-
7	**Scrutiny**	Final budget proposals were considered by the Scrutiny Committee at its meeting on 19 February 2025. A verbal update on the outcome of the meeting will be provided to the Executive.
8	**Local Members**	The Council's budget is applicable to all Members and consultation has taken place throughout the budget setting process.
9	**Any external bodies / other/s**	See Section 2 of the report.

F - Appendices:

- Appendix 1 – Detailed report on the Budget Proposals
- Appendix 2 – Summary of the Proposed Revenue Budget 2025/26 by Service
- Appendix 3 – Detailed Report on the Budget Consultation

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

- Initial Budget Proposals for 2025/26 – Executive Committee – 21 January 2025
- Initial Budget Proposals for 2024/25 – Corporate Scrutiny Committee – 15 January 2025
- Medium Term Financial Plan for 2023/24 to 2024/25 – Executive Committee – 24 September 2024

1. INTRODUCTION AND BACKGROUND

1.1. The following report sets out the 2025/26 revenue budget proposals and is one of a set of reports which provides an overall picture of the financial position of the Council and ensures that the Council funding is allocated to meet its priorities. The other reports in the set relate to the Council's Capital Programme and Capital Strategy, the Council's Treasury Management Strategy and Fees and Charges.

1.2. The revenue budget and the continued need to identify revenue savings has been driven by the Medium Term Financial Plan, as approved by the Executive Committee in September 2024, and can be summarised as follows:-

Table 1
Medium Term Financial Plan 2025/26 to 2027/28

	2025/26 £'m	2026/27 £'m	2027/28 £'m
Net Revenue Budget B/F	184.164	196.005	189.634
Budget Pressures and Inflation	11.841	6.012	5.347
Savings B/F from previous year	0.000	(12.383)	(0.697)
Revised Standstill Budget	**196.005**	**189.634**	**194.284**
Aggregate External Finance (AEF) (assuming 1.0% rise in 2025/26 and 2.0% rise in 2025/26 and 2027/28)	128.862	131.439	134.016
Council Tax (assuming 5% rise in 2025/26, 2026/27 & 2027/28)	54.760	57.498	60.373
Total Funding	**183.622**	**188.937**	**194.389**
Additional Funding Requirement / Savings Required	**12.383**	**0.697**	**(0.105)**
Main Assumptions			
Pay Awards – Non Teaching	4.5%	2.0%	3.0%
Pay Awards – Teaching (from Sept 25)	2.0%	2.0%	3.0%
General Inflation	1.9%	2.0%	2.0%

1.3. The figures quoted in the MTFP were based on assumptions and information available at the time the MTFP was drawn up. The purpose of the MTFP was not to provide an accurate assessment of the budget requirement, but to give a high level assessment of the potential budget gap.

1.4. Following on from the publication of the MTFP a number of factors were finalised which has allowed more certainty when calculating the standstill budget. As inflation has fallen it becomes less of a factor and becomes easier to estimate the level of inflation for the forthcoming year. The one significant risk for 2025/26 is the impact of the changes in national insurance and the level of additional funding that will be provided by the UK Government.

1.5. The UK Government announced increases in funding for Wales in late October 2024 and this resulted in an increase in Anglesey's provisional settlement, which was higher than the sum allowed for in the MTFP, 3.6% compared to 1% in the MTFP. This changes the Council's financial position not just for 2025/26 but also for future years.

1.6. However, despite these changes and that the funding gap was lower than forecast in the MTFP, it is still a challenging financial position for both 2025/26 and in the following two financial years, with costs still expected to rise due to inflation and increased demand, but little prospect that the funding from Welsh Government will be sufficient to cover all of these increases in costs.

2. THE INITIAL BUDGET PROPOSAL

2.1. At its meeting on 21 January 2025, the Executive discussed its original budget proposal and the provisional budget settlement which the Welsh Government had published on 11 December 2024.

2.2. The provisional settlement was higher than anticipated in the MTFP, and would provide the Council with £135.605m, which is an increase in cash terms of £8.116m (6.37%) but, after allowing for grants transferring into the settlement and the effect of the change in the Council's taxbase, the adjusted increase was £4.716m (3.60%).

2.3. The Executive proposed a budget for 2024/25 of £195.234m and, given the provisional AEF of £135.605m, this would require an increase of 9.5% in Council Tax and the use of £2.000m of the Council's general balances to balance the budget.

2.4. In setting the proposed budget, the Executive recognised the need to protect front line services and increasing budgets to meet an increased demand in Children's services whilst ensuring that schools and Adult Services receive all the funding required to meet the cost of inflationary pressures, including the additional costs arising from the changes in National Insurance legislation.

2.5. Although not intended as a measure of what the Council's net revenue budget should be, the Standard Spending Assessment (SSA) does give some indication as to whether the Council's budget is at a reasonable level for the Council. The SSA for 2025/26 is £189.880m and the proposed budget is, therefore, 102.8% of the SSA.

3. SCRUTINY COMMITTEE

3.1. Due to the delays in receiving the provisional and final settlement, the budget timetable for 2025/26 has had to be condensed in order to ensure that the Council is in a position to set the Council Tax within the timeframe set out in the Local Government Finance Act 1992 (Section 30(6)). The Finance Scrutiny Panel also examined in detail the service investment proposals at its meeting on 9 January 2025, and the Panel's comments were reported to the Corporate Scrutiny Committee meeting on 15 January 2025. At this meeting the Committee resolved to support the Executive's initial budget proposal.

3.2. The final budget proposal was given further consideration by the Corporate Scrutiny Committee at its meeting of 19 February 2025, and a verbal report on the Committee's deliberations will be presented to the Executive at the Committee meeting.

4. CONSULTATION PROCESS

4.1. Despite the short timescale between the publishing of the initial budget proposal and the date of the deadline for setting the Council Tax, a short consultation process was undertaken, with residents asked to answer a number of questions on their spending and funding priorities. The short timescale did limit the number and type of questions asked in order to have sufficient time to analyse the responses. 870 responses were received on line, with a further 57 responses received in handwritten form. This is equivalent to approximately 3% of the taxpayers responding to the consultation.

4.2. A summary of the responses received is summarised in Appendix 3. The main points arising from the consultation was that:-

- The five services that were considered most important to the respondents were waste collection and recycling 70%, roads and infrastructure 68%, education and schools 58%, supporting vulnerable children, families, adults and older people 47% and fire and rescue services 42%.

- The five lowest priority services were archives and museums 4%, housing advice and welfare support 9%, libraries 11%, youth services 12% and homelessness prevention 13%.
- 52% of the respondents agreed or strongly agreed with the Statement. This compares to 61% in last year's survey

  "**The council's budget strategy aims to safeguard services for the most vulnerable people in our community, ensure the financial viability of the council, recover the cost of services through fees and charges, where it can continue to invest, and where possible, to modernise and transform the way the council provides its services".**
- 59% of respondents agreed with the continued investment in social care budgets.
- 20% of respondents were willing to pay more through fees and charges to protect services, whilst 64% would not be willing. This compares last year's survey when 49% were willing to pay more.
- 54% agreed or strongly agreed to use the additional funding generated from the Council Tax premium on second homes and empty homes to support the funding of services in 2024/25. This compares to 79% in the 2024 survey.
- Only 10% supported the proposed rise in Council Tax of 9.5%, with 36% not wishing to see any rise, with 93% supporting a rise of 5% or less.
- To achieve a balanced budget, 36% wanted all of the budget shortfall to be funded from reserves with 84% wanting at least 50% of the shortfall to be funded from reserves.
- In terms of which services, the respondents were willing to see reduced, the services which were more discretionary in nature (Archives, Museums, Tourism and Library Services) were top of the list, whilst respondents wanted to see the more essential type services (social care, schools, fire, roads and waste collection) be protected. This response is very similar to the pattern seen in the 2024 survey

5. FINAL BUDGET PROPOSAL

5.1. No matters have arisen since the issuing of the initial budget proposal which requires any amendment to the net expenditure budget and this remains at £195.234m.

5.2. The final settlement includes a floor at 3.8%. As the provisional settlement for Anglesey was 3.6%, Anglesey benefits from the inclusion of a floor in the settlement. The floor provides the Council with an additional £277k, taking the total value of the AEF to £135.881m.

5.3. The Executive considered the various options in order to match the revised funding with the net revenue budget:-

- Reduce the rise in Council Tax down to 9.00%, this utilises all of the excess funding over the net revenue budget;
- Reduce the budget saving proposals by £0.277m. This would increase the net revenue budget to £195.511m which matches the level of revised funding;
- Reduce the use of reserves to balance the budget from £2.000m to £1.733m;
- Allocate additional funding to an area not already covered by the budget.
- A combination of the 4 options noted above.

5.4. Although the Executive understand the pressure that families are facing due to the cost of living crisis, they also recognise that the level of the rise must not just balance the budget for 2025/26, but they have to consider the impact on the 2026/27 budget. Setting a lower Council Tax does impact on the starting point for 2026/27, and having too low a level of Council Tax will only increase the budget shortfall in 2026/27 and weaken the overall financial position of the Council. Each 0.5% reduction in the increase in Council Tax would educe the annual increase on a Band D property by £8.19 or £0.16 per week.

5.5. The majority of the proposed savings are deliverable and the impact on the Council assessed prior to agreeing to the proposals. The savings proposals that have the greatest impact on service to the public and the local economy are :-

- Rationalise the provision of day services for clients with physical and learning disabilities - £177,000
- Commencing charging service charges, in accordance with the lease agreements for industrial and business units - £32,500
- Reducing the total days that recycling centres are open from 10 days to 8 days per week - £60,000

The Executive may wish to revisit these proposals.

5.6. The level of reserves to be used to balance the 2025/26 budget is significant and a total of £10.2m have been used to balance the budget in the last 3 financial years.. Based on current projections, it will not be possible to use reserves again in 2026/27 to contribute to the overall funding. Using the additional funding generated by the floor in the settlement to reduce the contribution from reserves in 2025/26 would not make a significant change to the level of reserves moving forward. As a result, it would still not be possible to use reserves to contribute to funding in 2026/27. It should be noted, that the use of reserves only delays the need to reduce the Council's overall net revenue budget, and their use are not a permanent solution to the financial position faced by the Council.

5.7. The Executive has also considered the Council's capital budget and one area, which will require investment in future years is the replacement of IT equipment in schools, which includes devices provided to pupils. Allocating the additional £277k in funding to the capital budget would go some way to fund the current funding gap, although it is noted that further funding will be required before a significant amount of equipment has to be replaced in 2027/28.

- It is for the Executive to decide how to utilise the additional £277k that has resulted from the final settlement.

6. ROBUSTNESS OF ESTIMATES

6.1. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of budget estimates and the adequacy of the proposed financial reserves.

6.2. Budget estimates are based on assumptions of future expenditure and income and contain an element of assumption risk. The impact of this risk can be mitigated through contingency plans, contingency budgets and financial reserves.

6.3. The robustness of budget estimates is not simply a question of whether they are correctly calculated. In practice, many budgets are based on estimates or forecasts, and there may be an element of risk as to whether plans will be delivered or targets achieved. Different risks to the budget are considered in turn below:-

- **Pay Inflation Risk** – When inflation levels are low and the overall movement in the inflation rate is small, then the inflation risk is low, as has been the case for a number of years. Given that there is no pay offer made for NJC staff for 2025/26 and that the Welsh Government have yet to indicate what the Teacher's pay award will be from September 2025, there is still considerable uncertainty in respect of pay inflation and, with a pay bill in excess of £100m, a 1% error in the pay inflation assumption could result in a £1m under funding position in 2025/26. This risk is mitigated by the fact that the Council holds an earmarked reserve to fund any inflationary pressures. This would be released to fund any additional pay budget requirement, with the long term budget then being corrected in 2026/27.

- **Price Inflation Risk -** The general measure of inflation (CPI) has fallen back to more normal levels of around 2% but is expected to increase towards 4% during 2025, before beginning to fall back towards 2% in 2026. However, these forecasts may be impacted by how the economy performs over the coming months, whether further tax rises are implemented or cuts to public expenditure take place and whether global energy prices increase. The forecasted reduction in the Bank of England base rate could also create an inflationary pressure.

  CPI is a general measure of inflation and particular areas of expenditure may see inflation at a higher or lower level than CPI. Whatever happens with inflation it is not expected to rise significantly, and any variance should be within 1% of the figure allowed for in the budget. As a result, the financial impact in 2025/26 will only be marginal and can be funded by the Inflation Reserve which the Council holds.

- **Interest Rate Risk** - Interest rates affect a single year's revenue budget through the interest earned - i.e. an interest rate rise is beneficial. The Authority's Treasury Management Strategy requires investments to be made on the grounds of security and liquidity of the investment as the first consideration, with investment returns being a lower priority, therefore, the budget is not reliant on high investment returns. Interest rates have remained high, with the Council achieving over 5% returns on investments. In setting the budget, an estimate of the interest receivable has been factored into the budget, but there is a risk that the budget will not be achieved if interest rates begin to fall quickly, or if the funds available to be invested are lower than forecast. The majority of the interest paid by the Council relates to fixed rate loans which will not change should the interest rate rise. Therefore, the interest rate risk is considered low and, as in previous years, this is a compensating risk for inflation risk, because if one increases, the other is likely to increase also.

- **Grants Risk -** These are risks attached to the large number of specific grants from Welsh Government (WG), or other bodies, which provide in excess of £25m additional funding. The final settlement indicates that the majority of the grants received from WG will remain at the 2024/25 level or will increase slightly on an all Wales basis. What is not clear for all grants is the specific grant funding for Anglesey. Whilst the immediate response is to say that when the grant ceases, so must the associated expenditure, there is a risk that this may not always be possible. It may not be possible when contract terms mean the expenditure cannot be cut as quickly as the income, or it involves unfunded severance costs. It may not be possible if the activity funded turns out to be so important to the delivery of the Council's own priorities that the Council decided it must continue the expenditure. Efforts to mitigate this risk are to ensure we have the best information available on each grant, but significant changes during the year cannot be entirely ruled out.

- **Income Risks –** The budget is based on securing an overall 3% increase in fees, and a number of services have assumed rises up to 3%. If the elasticity of demand for Council Services is such that volume falls, and income targets are not achieved, that may cause overspending on net budgets. The cost of living crisis may have an impact on the income generated from services such as leisure, car parking, planning and building regulations, where users may choose to reduce their expenditure on these non-essential services. This will require close monitoring of the net budget position and, if necessary, cutting back on spending to match reduced income.
- **Demand Risk –** A number of services can experience a change in the demand for its services. Some can be predicted and taken into account when setting the budget, e.g. changes in pupil numbers. Others are more difficult to predict and a small increase in numbers can have a significant impact on costs. The budget allows for providing the service at current levels, with increases in demand covered by the Council's general balances or, in some cases, earmarked reserves. Allowance has been made in the 2025/26 budget for the current level of service demand for social care and homelessness prevention, although there is a risk of the increase in demand continuing in 2025/26 above what has been allowed for in the budget. This would result in an overspend in those services affected, which would have to be funded from the Council's general reserves and balances.
- **Optimism Risk –** In previous years, probably the greatest risk in current circumstances is that the Authority, Members and Officers have been over-optimistic in the savings that will be achieved, or that demand for services, particularly social care, will not increase significantly. For 2025/26, the budget does include over £0.7m of savings that have to be delivered. Failure to achieve the savings target will result in an overspend at the end of the 2024/25 financial year, which would be funded from Council reserves.
- **Over-caution Risk –** This is the opposite of optimum risk: the danger that our budgets have been drawn up with too much caution and, so, are more than is required, and this would result in the Council Tax being set at a level that is higher than required, which is something that Members are keen to avoid. The Section 151 Officer is satisfied with the budget setting process and that the budget set is a fair assessment of the resources required by each service, based on the relevant factors as they stand at the moment.
- **Council Tax Premium –** In setting the taxbase, it is accepted that the number of empty properties and second homes can change during the year and, as such, only 80% of eligible properties are included in the taxbase. This protects the Council's budget should there be a significant drop in numbers. However, it should be noted that the number of empty properties used in the taxbase calculation rose from 431 properties in October 2023 to 544 properties in October 2024. The number of second homes remained constant at 2,443 properties. Many factors influence the number of second homes, and a rise has been seen during the beginning of 2025 as the Valuation Office transfers self catering properties from the Non-Domestic Rates register back to the Council Tax register as the number of nights the property has been let has not achieved the increased threshold. There is a significant risk that properties will return to the Non-Domestic Rates register in 2025/26 as the owners successfully appeal the original decision or that they now let the property for the required number of nights.

  The premium is designed to encourage second home owners to sell or let their property, however, it may also encourage a greater amount of non payment or avoidance by transferring to business rates or by other avoidance means. To mitigate the risk, additional staff will be employed to identify tax avoidance and minimise the amount of the premium lost as a result. As the Executive has committed to using all of the additional premium to address the issues caused by high numbers of second homes on Anglesey, any significant reduction in income would result in a reduction in the funding available for these initiatives in future years.

Council Tax Income – The Council Tax income budget is based on the taxbase calculation as at November of the previous financial year. The taxbase changes constantly during the year, as new properties are included and exemptions and single person discounts are granted. These changes cannot be estimated and, invariably, lead to a difference between the actual debit raised and the budget.

The cost of living crisis may also impact on the Council's collection rate, as more households struggle financially with rising costs. The proposed increase in the level of Council Tax may also impact collection rates. This may result in a financial loss in 2025/26, or future years, when uncollectable debts are eventually written off.

6.4. Having considered all the risks noted above, and the mitigating actions, the Section 151 Officer is of the view that the budgets are robust and deliverable, and the Council's current healthy level of general balances and earmarked reserves provides sufficient mitigation against the risks identified.

7. GENERAL AND SPECIFIC RESERVES

7.1. The proposed budget incorporates a number of assumptions in terms of likely levels of income and expenditure in future years. There are, therefore, inevitably a number of financial risks inherent in the proposed budget, which are set out in paragraph 5 above.

7.2. In terms of any contingencies and reserves, the Section 151 Officer needs to review these in their totality, in conjunction with the base budget itself and the financial risks which face the Authority. In addition, the review should incorporate a medium term view, where needed, and should take into account key developments that may impact on the need and use of one off resources.

7.3. A robust view is being taken on managing budget risks and protecting the financial health of the Council at this time. This is particularly the case when one off funds need to be adequately protected to fund future strategic / transformational changes, as opposed to funding significant overspends on the base budget itself.

7.4. Account has been taken of the need to keep the immediate reductions in spending, and the resulting impact on services, to a minimum, but this must be balanced against the need to ensure the medium and long term financial stability of the Council, and for savings to be implemented over the coming years in a phased and structured way. In addition, there is always some risk of unforeseen items of expenditure or overspending because of a more general pressure on a service budget, and reserves must also be adequate to absorb these pressures.

7.5. As at 1 April 2024, the Council's general reserves stood at £11.18m (after allowing for the £4.425m used to balance the 2024/25 budget), which is equivalent to 6.1% of the Council's net revenue budget for 2024/25, 9.1% if the delegated schools' budget is excluded. During the year, a further £0.6m has been allocated and £2.58m of additional grant funding from Welsh Government has been transferred into the reserve. This gives an estimated revised balance of £13.16m, or 7.1% of the 2024/25 net revenue budget.

7.6. School balances began the 2024/25 financial year at £5.577m, but are forecast to fall to £3.410m by the end of 2024/25. It is expected that schools will use the majority of these balances in order to fund the 2025/26 budget.

7.7. The level of general balances is a matter for the Council to decide, based on the recommendation of the Council's Section 151 Officer but, as a general rule, 5% of the net revenue budget is considered to be an acceptable level. It is a matter for debate whether the net revenue budget should exclude the delegated schools budget, as schools hold their own balances to meet unexpected costs. Based on the current financial situation, there is a high degree of confidence that the level of general balances will exceed 5% of the net revenue budget at the beginning of the 2025/26 financial year.

7.8. Having taken into consideration the level of the Council's general balances, school balances, earmarked reserves and contingency budgets, the Section 151 Officer is content that the Council's financial position is sufficiently robust to withstand any difficulties that may arise during 2025/26 if the proposed revenue budget is insufficient to meet the actual costs incurred by the Council during 2025/26.

8. COUNCIL TAX

8.1. The Council's Band D Council Tax charge for 2024/25 was £1,572.30, which was 16th from the 22 Authorities in Wales, and is lower than the Welsh Average of £1,665. More importantly for Anglesey is the comparison to the 5 other North Wales authorities. This is shown in Table 2 below:-

Table 2
Comparison of Council Tax Band Charges for North Wales Authorities

Authority	Band D Charge 2024/25 £	Amount Above / Below Anglesey £	Percentage Above / Below Anglesey %
Anglesey	1,572		
Gwynedd	1,755	+ 183	+ 11.7%
Conwy	1,733	+ 161	+ 10.3%
Denbighshire	1,679	+ 107	+ 6.8%
Flintshire	1,658	+ 86	+ 5.5%
Wrexham	1,598	+ 26	+ 1.7%

8.2. The Council Tax budget for 2025/26 (prior to an increase in the Council Tax but after adjusting for the change in the Council Tax Base and premium) is £52.63m. Therefore, each 1% increase generates an additional £526k (less the required increase to the CTRS budget).

8.3. After taking into account the final settlement figure of £135.881m, the revised budget requirement of £195.511m (see Appendix 2) and the use of £2.000m of reserves, it would require £57.629m in Council Tax funding. To fund the revised budget requirement, the increase in the level of Council Tax would be 9.50%, taking the Band D charge to £1,721.70 an increase of £149.40, or £2.87 per week.

9. EQUALITIES IMPACT ASSESSMENT

9.1. In delivering its services, the Council has to be mindful of its duties under the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011 and the Well Being of Future Generations (Wales) Act 2015 to assess the impact of key financial decisions on protected groups, and have due regard to the result of such assessments.

9.2. The proposed budget will not impact on any of the protected groups set out in the Regulations and, as a result, no Equality Impact Assessments are considered necessary.

10. UPDATING THE MEDIUM TERM FINANCIAL STRATEGY

10.1. As stated in paragraph 1, the funding position and staffing costs has changed considerably since the Council approved the Medium Term Financial Plan (MTFP) in September 2024.

10.2. The main area of uncertainty for the MTFP moving forward is inflation and its impact on future pay awards, whilst the cost of living crisis and its impact on the demand for Council services is also a major factor.

10.3. The updated MTFP for 2026/27 and 2027/28 is shown in Table 3 below:-

Table 3

Summary Medium Term Financial Plan 2026/27 & 2027/28

	2026/27 £'m	**2027/28 £'m**
Net Revenue Budget B/F	195.511	201.523
Budget Pressures and Inflation	6.012	5.347
Savings B/F from previous year	0.000	(2.415)
Revised Standstill Budget	**201.523**	**204.455**
Aggregate External Finance (AEF) (assuming 2.0% rise in 2026/27 and 2027/28)	138.598	141.370
Council Tax (assuming 5% rise in 2026/27 and 4% in 2027/28)	60.510	62.930
Total Funding	**199.108**	**204.300**
Additional Funding Requirement / Savings Required	**2.415**	**0.155**
Main Assumptions		
Pay Awards – Non Teaching	2.0%	3.0%
Pay Awards - Teaching	2.0%	3.0%
General Inflation	2.0%	2.0%

The MTFP estimate above is based on a number of assumptions which may change as we move towards 2026/27, but the plan indicates that there will be a need to make significant further reductions in the net revenue expenditure budget in 2025/26 whilst still increasing Council Tax by an above inflation amount. This again could be partly offset by the further use of reserves but again this only postpones the need to make budget reductions until 2027/28.

10.4. The capital funding situation also has an impact on the revenue budget moving forward, with the current level of funding being insufficient to maintain the Council's buildings and roads to their current standard and to invest in new vehicles and I.T. hardware. This lack of funding will increase repair and maintenance costs of all the Council's assets as their useful lives are extended. Investment and asset rationalisation will have to be considered in order to ensure that services can be maintained, whilst minimising the additional costs that will fall on the revenue budget moving forward.

10.5. The situation does improve in 2027/28 with the expectation that inflation will have fallen back to the Bank of England's target of 2% and that the funding increase from Welsh Government will match inflation. The unknown variable will be demand for social care and homelessness services, which can place a significant pressure on budgets should they increase. Any significant increase in demand will impact on the forecasted figures shown in table 3.

10.6. The plan shown in Table 3 is for indicative purposes only and is based on the assumption that the net revenue budget for 2025/26 is increased in line with the additional sum received in the final settlement. However, it is noted that the Executive may choose to set a lower net revenue budget and lower increase in Council Tax. An updated MTFP will be presented to the Executive in September 2026.

11. CONCLUSIONS

11.1. It is important that the budget set is achievable and reflects the demands faced by services currently, although it is noted that the continuation of the cost of living crisis would have a significant impact on the Council's budget. The financial position faced by the Council is not unique to Anglesey but it is a situation that all 22 Welsh Councils are facing along with the vast majority of English Councils.

11.2. The local government settlement is higher than initially forecast, prior to the UK budget in October 2024 and although the inclusion of a floor is welcomed the overall increase in the settlement is insufficient to meet the rising costs as a result of pay awards, changes in national insurance, inflation and increased demand for services. As anticipated the only way open to the Council to set a balanced budget, whilst maintaining services and catering for increased demand is to make budget reductions, combined with an increase in Council Tax and the controlled use of reserves.

11.3. The Council's general financial position is still fairly strong, although the level of balances and earmarked reserves have diminished during 2024/25 and, although the use of reserves to balance the 2025/26 budget is a fairly safe strategy, it is not a strategy that can be used long term. There is a little scope to use reserves again to balance the budget in 2026/27 without weakening the Council's financial position.

11.4. The position in 2026/27 may be improving but this is very much dependant on the economy growing thereby increasing tax receipts, falling interest rates and low inflation which would ensure that government funding at least keeps pace with rising costs. The other important factor is demand for services and if they begin to rise again, then this will put pressure once again on budgets and necessitate either cuts to services or increase Council Tax above inflation.

11.5. Therefore, in the professional opinion of the Section 151 Officer, the proposed revenue budget for 2025/26 achieves the following objectives:-

- Ensures that the financial resources allocated to each service is sufficient to meet the current budget pressures and fulfil the demand for the statutory functions which the services must provide.
- Uses a combination of budget reductions, reserves and a rise in Council Tax to set a balanced budget.
- Sets a level of Council Tax which is comparable with the Welsh Government's assessment of where Anglesey's Council Tax should be and is in line with the Council Tax set by other Welsh authorities of a similar size and type.

12. RECOMMENDATIONS

12.1 To determine how to allocate the additional funding received and agree the final details of the Council's proposed budget.

FINAL BUDGET PROPOSAL 2025/26 BY SERVICE

	Final Proposed Budget 2025/26 £'m
Education and Culture	71.135
Adult Services	43.048
Children's Services	17.556
Housing Services	2.037
Highways, Waste and Property	20.663
Regulation and Economic Development	6.077
Corporate Transformation	8.109
Resources	4.225
Council Business	2.213
Corporate Management	0.823
Total Service Budgets	**175.886**
Corporate and Democratic Costs	2.238
Recharges to HRA	(0.840)
Support for Local Housing Help to Buy Schemes	1.000
Levies	5.277
Capital Financing	4.637
Benefits Granted	0.110
Discretionary Rate Relief	0.106
Council Tax Reduction Scheme	7.416
National Insurance Grant	(2.000)
Total Allocated Budgets	**193.830**
General & Other Contingencies	1.404
Total Budget 2025/26	**195.234**
Funded By	
Revenue Support Grant	110.785
Non Domestic Rates	25.097
Council Tax (Including Council Tax Premium)	57.629
Council Reserves	2.000
Total Funding	**195.511**
Difference Budget to Funding – to be allocated by the Executive	**0.277**

Council Budget 2025 / 2026

Summary of consultation responses

1. Introduction

The consultation opened on 22 January 2025 until 7 February 2025. The consultation was published on the Council website and promoted via our social media channels. Paper copies of the survey was also shared amongst Anglesey's public buildings.

Purpose of the consultation was to gather feedback from Anglesey residents on the proposed budget for 2025/26.

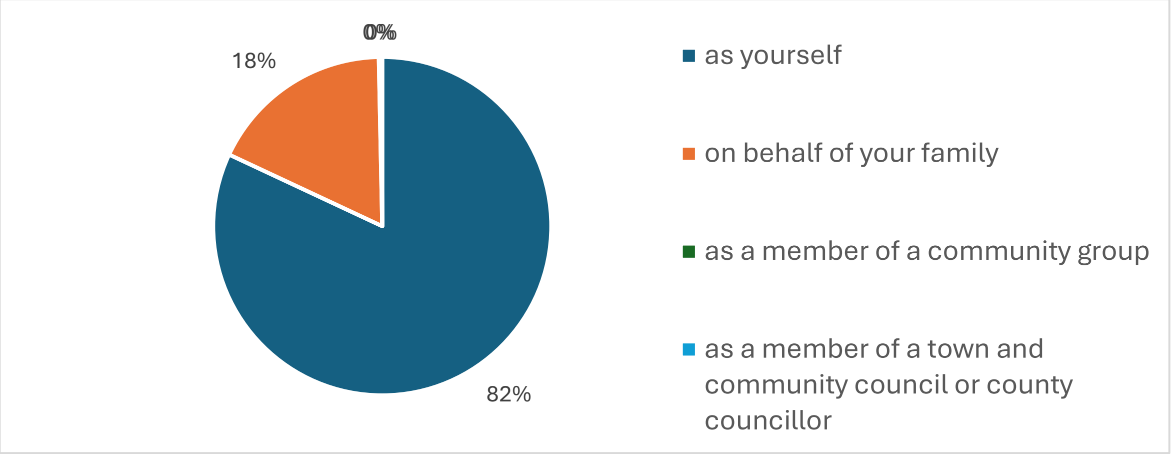
We received a total of 927 fully completed responses, including:-

- 870 completed an online survey
- 57 completed a paper copy of the survey

This report is a summary of the consultation survey results and the main themes identified from feedback.

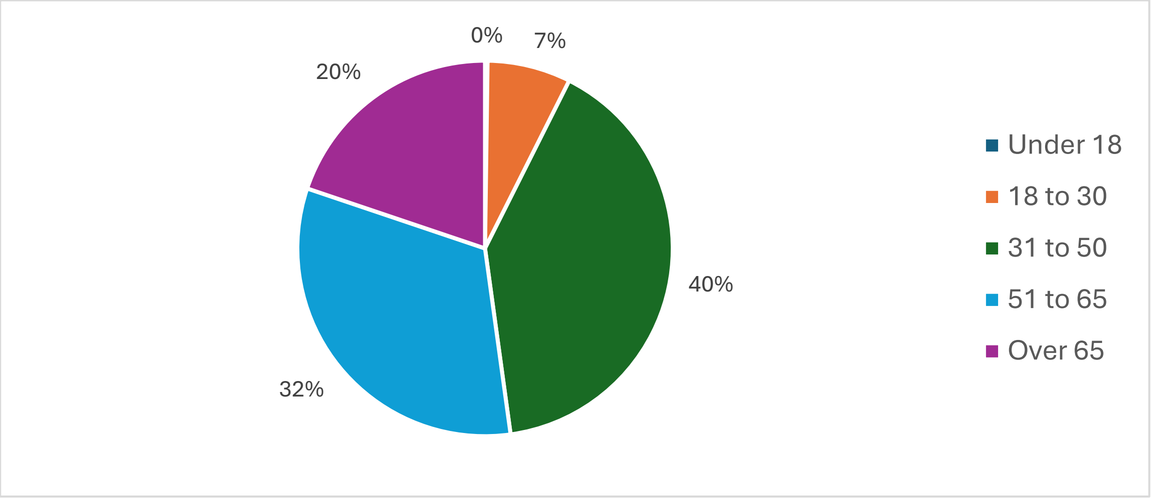
2. Summary of Results

2.1.1. Question 1 asked - We would like to hear from everyone about the communities in which they live. Please tell us if you are filling out this questionnaire:



2.1.2. Question 2 asked for the respondents post code. These have been mapped and the results are attached as Appendix 1.

2.1.3. Question 3 asked – Respondents Age Group



2.1.4. **Question 4 asked - Which services are most important to you?**

Results showed that the top five priorities are (respondents were asked to select 5):-

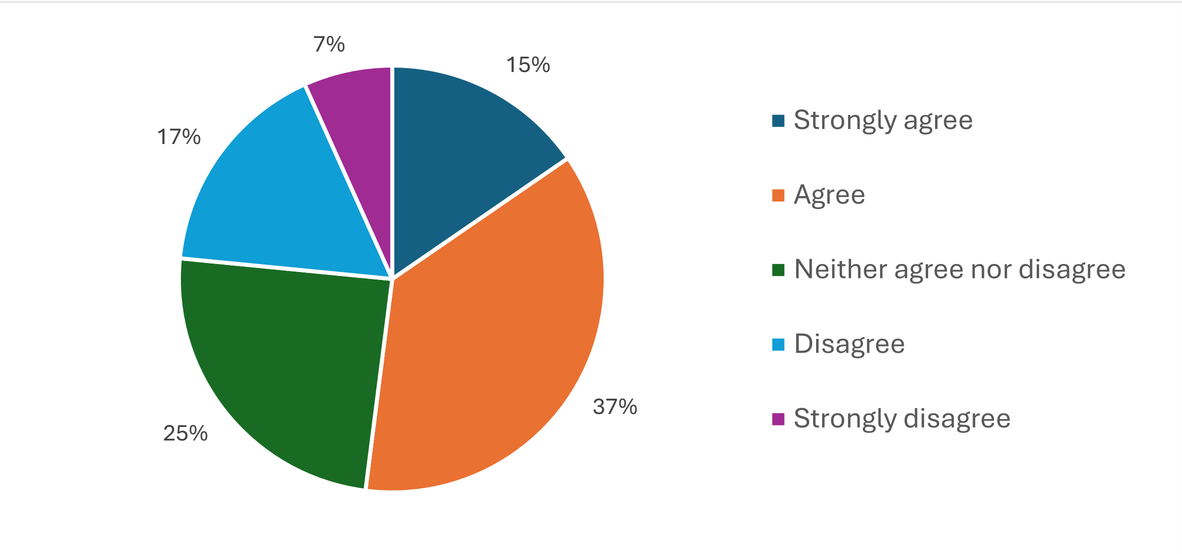
Answer Choice	Response Percent	Response Total
Waste Collection, disposal and recycling – Budget £8.3m	69.6%	637
Roads and Infrastructure – Budget £8.3m	68.1%	623
Education and Schools – Budget £66.3m	58.1%	532
Supporting vulnerable children, families, adults and older people – Budget £53.2m	47.0%	430
Fire and Rescue Services – Budget £4.9m	42.4%	388

The five lowest priorities are:-

Answer Choice	Response Percent	Response Total
Archives and Museums – Budget £0.6m	4.3%	39
Housing advice and welfare support – Budget £0.8m	8.7%	80
Libraries – Budget £1m	10.6%	97
Youth Services – Budget £0.5m	12.1%	111
Homelessness Prevention – Budget £0.8m	13.4%	123

2.1.5. **Question 5 asked - The Council's budget strategy aims to safeguard services for the most vulnerable people in our community, ensure the financial viability of the Council, recover the cost of services through fees and charges, where it can, continue to invest, where possible, to modernise and transform the way the Council provides its services**

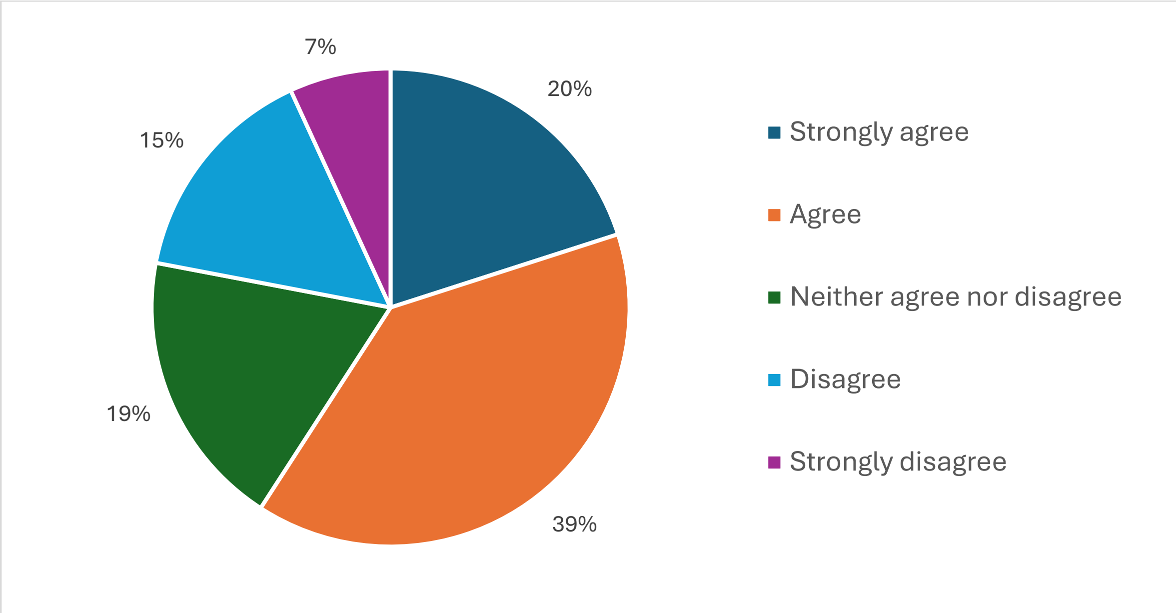
Do you agree with these aims?
52% of respondents either strongly agreed or agreed.



2.1.6. Question 6 asked - The budget proposals for 2025/26 allow for significant continued investment in social care budgets in order to continue to provide services to the most vulnerable people in our communities.

Do you agree with this proposal?

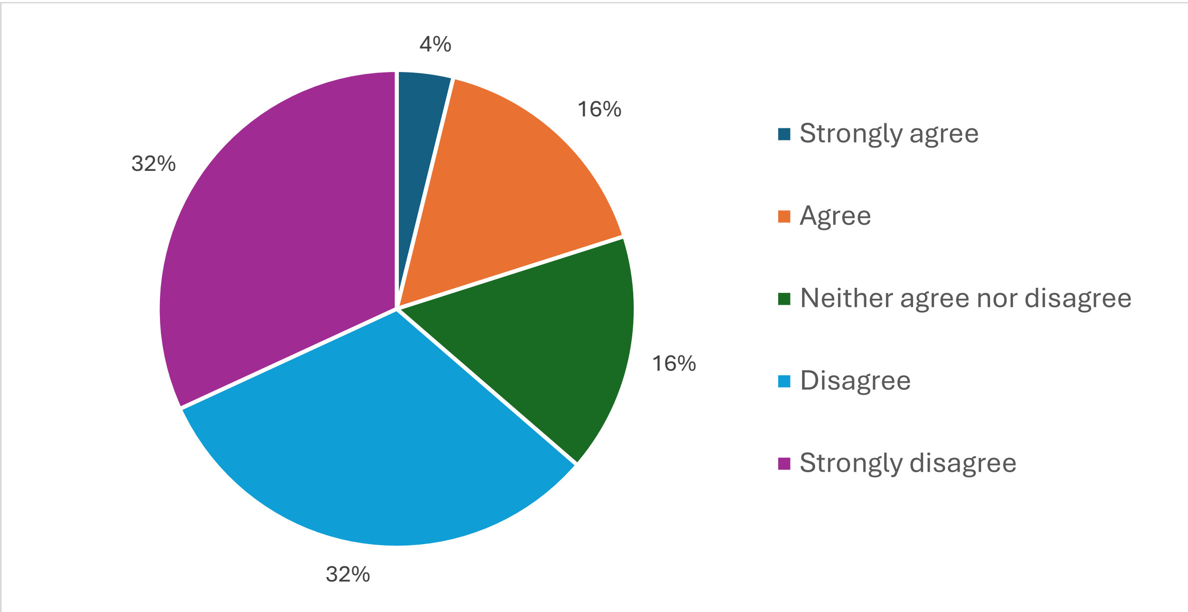
59% of respondents either strongly agreed or agreed.



2.1.7. Question 7 asked - The budget proposals allow for a general increase of 3% in discretionary fees and charges.

Would you be willing to pay more to protect services from budget reductions?

20% of respondents either strongly agreed or agreed, 64% either disagreed or strongly disagreed



2.1.8. Question 8 asked – For which services would you pay more? (Please choose as many services as you want).

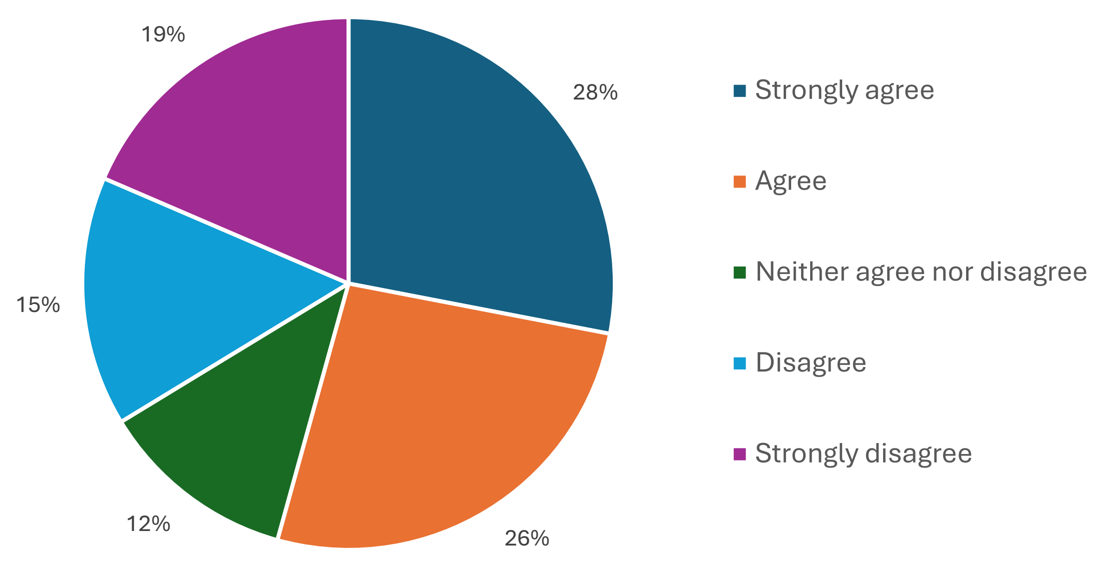
Answer Choice	Response Percent	Response Total
Leisure centres	46.1%	268
Waste collection services (including green garden waste)	40.1%	233
Personal watercraft launching fees	38.7%	225
Admission to museum	36.3%	211
School meals	31.8%	185
Pest control charges	31.7%	184

This question also had a free text section, asking respondents which other services would they pay more for. 262 provided comments but, unfortunately, a significant number of respondents misunderstood the question and either identified services which the Council should invest in, which are not generally covered by fees and charges, or made comments such as "we pay too much in Council Tax" or made general comments about the service provided by the Council. Of those who identified clearly whether they were willing to pay more through fees and charges, the following comments were made:-

- None (134) – respondents commented that they "already pay enough council tax";
- Car parking and highways (6) – respondents suggested increase parking fees and parking enforcements, as well as improvements to highway services;
- Community, visitor services (public conveniences, maritime fees etc) (8);
- Education (1) – respondents suggested paying more for education provision, including meals, school clubs and school trips;
- Libraries and Culture (5) – respondents willing to pay to visit Oriel Môn and pay late fees on books;
- Planning and Environment (2) – respondents willing to pay more for planning fees, including building control, and any services linked with improving the environment;
- Leisure Activities (2) – respondents willing to pay more for leisure centre membership.

2.1.9. Question 9 asked – The budget proposal allows for £1m of the income generated from charging a Council Tax premium on empty and second homes to be used to provide grants and loans for first time buyers. Do you agree with the proposed use of this funding and the level of funding?

54% Strongly agreed or agreed, 34% disagreed or strongly disagreed



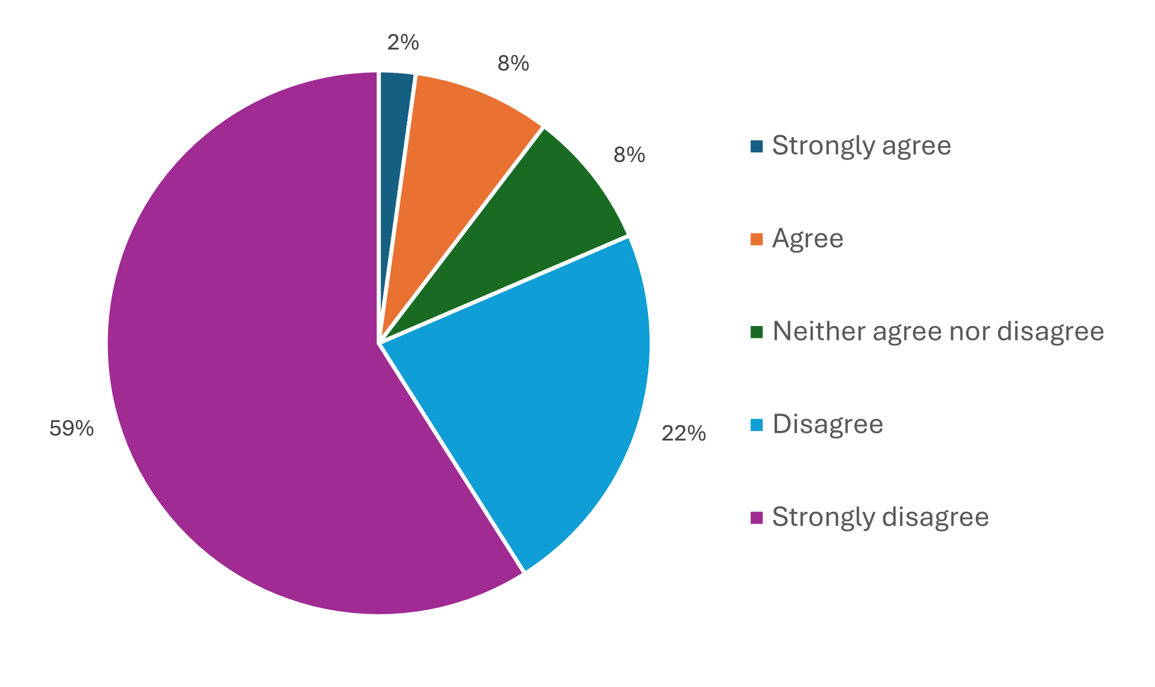
2.1.10. Question 10 asked - Do you agree or disagree with our major savings proposals?

Answer Choice	Agree	Disagree
Increase maritime fees above inflation and improve billing and collection processes: Potential saving £30,000	77.3%	22.7%
Reduce the total days that recycling centres are open from 10 days per week to 8 days per week (Penhesgyn Wednesday to Sunday, Gwalchmai Sunday to Tuesday): Potential saving £60,000	53.7%	46.3%
Increase highway fees and charges above inflation: Potential saving £60,000	40.8%	59.2%
Reduce specific supplies and services budget which are under utilised or where the Council can control the level of expenditure (furniture, office equipment, subsistence payments to staff, attending conferences, external non statutory advertising): Potential saving £175,000	91.9%	8.1%
Modernise the provision of day services for clients with physical and learning disabilities: Potential saving £177,000	73.7%	26.3%

2.1.11. Question 11 asked – Do you agree with the proposed level of rise in Council Tax of 8.95% (plus 0.65% to cover fire levy)?

A rise of 9.5% would increase Council funding by £5.0 million.

59% strongly disagree and a further 22% disagree



2.1.12. Question 12 asked – By how much should Council Tax rise? (A rise of 9.5% would increase Council funding by £5.0 million)

Answer Choice	Response %	Response Total
No rise - this would leave a funding shortfall of £5.0m	36.4%	271
Rise between 0% and 3% - this would leave a funding shortfall of between £3.4m and £5.0m	30.4%	226
Rise between 3% and 5% - this would leave a funding shortfall of between £2.4m and £3.4m	26.6%	198
Rise between 5% and 7.5% - this would leave a funding shortfall of between £1.0m and £2.4m	6.2%	46
Rise between 7.5% and 9% - this would leave a funding shortfall of between £0.3m and £1.0m	0.4%	3

2.1.13. Question 13 asked – How would you make up the funding shortfall noted in the previous question?

Answer Choice	Response %	Response Total
Option 5: No cut in service budgets. All funded in the use of Council reserves	36.4%	269
Option 4: Some cut to service budgets. Fund majority with the use of Council reserves	26.0%	192
Option 3: Fund 50% with a cut to service budgets. Fund 50% by using Council reserves	21.7%	160
Option 2: Majority cut to the service budgets. Some use of Council reserves	9.6%	71
Option 1: All funded by a cut in service budgets. No use of Council reserves	6.2%	46

2.1.14. Question 14 asked - Which service budgets would you be willing to see reduced? (Please choose as many services as you want).

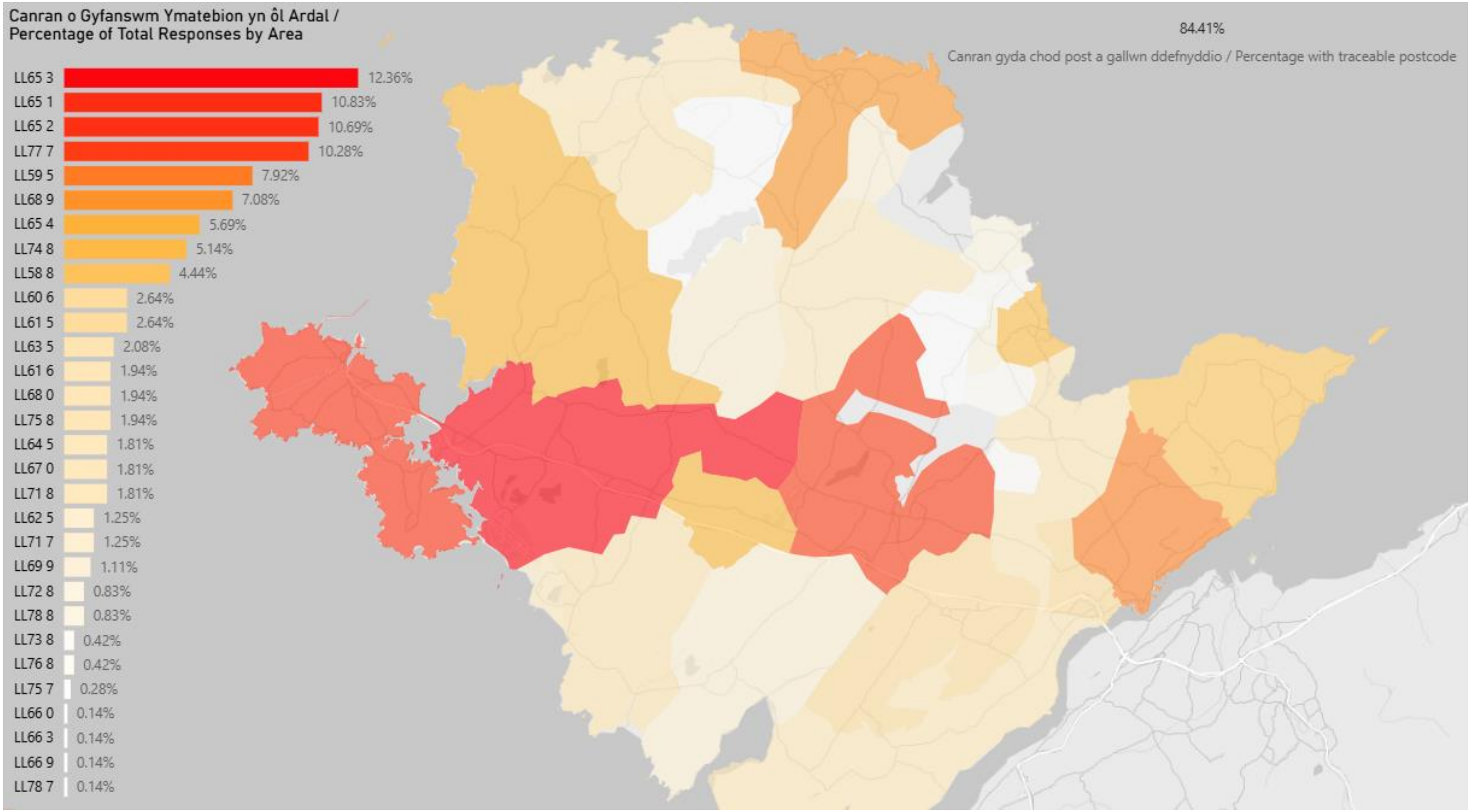
Answer Choice	Response %	Response Total
Archives and museums	61.2%	511
Tourism and Maritime	49.6%	414
Libraries	45.7%	382
Public protection, planning, licensing and environmental health	36.2%	302
Housing advice and welfare support	35.9%	300
Environment and countryside management	30.5%	255
Homelessness prevention	26.3%	220
Leisure centres	26.3%	220
Street and Beach Cleaning	24.9%	208
Economic development	24.4%	204
Youth Services	18.0%	150
Supporting vulnerable children, families, adults and older people	13.1%	109
Education and schools	11.9%	99
Waste collection, disposal and recycling	10.2%	85
Fire services	9.3%	78
Roads and infrastructure	6.2%	52

2.1.14 A free text box was provided which allowed respondents to make an additional comment if they wished. 465 individual comments were received, which covered a range of topics. Some of the comments were positive but, in the majority of cases, the respondent took the opportunity to express their dissatisfaction or to make suggestions as to how the Council should look to reduce costs. These included:-

- Reducing staffing levels;
- Freezing or reducing staff pay, in particular senior management pay;
- Withdrawing from the current pension scheme;
- Reducing the number of Councillors or their allowances;
- Increase the level of reserves used to balance the budget;
- Reduce waste and inefficiency;
- Stop staff working from home;
- Allow more staff to work from home and reduce / close the Council offices;
- Share Council support services with other Councils;
- Invest in Council buildings e.g. leisure centres;
- Make the case to Welsh Government that additional funding is required to maintain essential services.

APPENDIX 1

RESPONSES BY AREA



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ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	**EXECUTIVE COMMITTEE**
Date:	**27 FEBRUARY 2025**
Subject:	**CAPITAL BUDGET 2025/26**
Portfolio Holder(s):	**ROBIN WILLIAMS – DEPUTY LEADER & PORTFOLIO HOLDER – FINANCE & HOUSING**
Head of Service / Director:	**MARC JONES – DIRECTOR OF FUNCTION (RESOURCES) / SECTION 151 OFFICER**
Report Author: Tel: E-mail:	**MARC JONES – DIRECTOR OF FUNCTION (RESOURCES) / SECTION 151 OFFICER** 01248 762601 rmjfi@ynysmon.gov.wales
Local Members:	**n/a**

A –Recommendation/s and reason/s

The Executive is required to propose a capital budget for 2025/26, which will be presented to the full Council for approval at its meeting on 6 March 2025.

RECOMMENDATIONS

To recommend to the full Council the following capital programme for 2025/26:-

	Ref	**£'000**
2024/25 Schemes Brought Forward – General Fund	Para 4.1	6,439
Refurbishment / Replacement of Assets	Para 4.2 & 4.3	6,304
Heating System upgrades utilising Low Carbon Heat grant funding	Para 4.2	4,463
Communities for Learning	Para 5	152
Flood Relief Schemes	Para 6.1	330
Holyhead : A Culture and Heritage Driven Transformation	Para 6.2	4,367
Economic Development Sites and Premises	Para 6.3	200
Waste Infrastructure	Para 6.4	1,445
Housing Revenue Account	Para 7	20,594
Total Recommended Capital Programme 2025/26		**44,294**
Funded By:		
General Capital Grant		2,661
Supported Borrowing General		3,118
Communities for Learning Unsupported Borrowing		152
Capital Receipts Reserve		500
Earmarked Reserves		1,160
Welsh & UK Government Grants		14,816
Unsupported Borrowing – General Fund		1,293
HRA Revenue Account Surplus		5,488
HRA External Grants		4,483
HRA Unsupported Borrowing		10,623
2025/26 Total Capital Funding		**44,294**

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.		
C – Why is this a decision for the Executive?		
It is a matter for the Executive to propose the annual 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?		
Not applicable		
Dd – Assessing the potential impact (if relevant):		
1	How does this decision impact on our long term needs as an Island?	The capital budget ensures funding to maintain the Council's assets, and forms part of the strategy to meet the objectives set out in the Council's Corporate Plan.
2	Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority? If so, how?	Continued maintenance of the Council's assets will prevent larger costs in the future.
3	Have we been working collaboratively with other organisations to come to this decision? If so, please advise whom	Capital projects in respect of Communities for Learning and the HRA are aligned to priorities set out by the Welsh Government.
4	Have Anglesey citizens played a part in drafting this way forward, including those directly affected by the decision? Please explain how.	As part of the consultation process on the Council's Corporate Plan for 2023 – 2028, citizens were asked a number of questions relating to capital expenditure and their priorities.
5	Note any potential impact that this decision would have on the groups protected under the Equality Act 2010.	The capital budget ensures funding to maintain the Council's assets and forms part of the strategy to meet the objectives set out in the Council's corporate plan.
6	If this is a strategic decision, note any potential impact that the decision would have on those experiencing socio-economic disadvantage.	None Identified.
7	Note any potential impact that this decision would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.	No impact identified.
E -	**Who did you consult?**	**What did they say?**
1	Chief Executive / Leadership Team (LT) (mandatory)	The report has been considered by the LT and any comments incorporated into the report.
2	Finance / Section 151 (mandatory)	Author of the report.

3	Legal / Monitoring Officer (mandatory)	The Director of Function - Council Business is a member of the LT
4	Human Resources (HR)	No direct impact on HR
5	Property	The capital programme has been drafted in consultation with the Chief Property and Asset Officer and the Head of Highways, Waste & Property
6	Information Communication Technology (ICT)	The comments of the Head of ICT have been incorporated into the report.
7	Scrutiny	TBC
8	Local Members	Proposals applicable to all Members.
9	Any external bodies / other/s	Not applicable

F - Appendices:

Appendix 1 – Report on the Capital Budget 2025/26
Appendix 2 – Final Proposed Capital Budget 2025/26

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

Capital Strategy Report – full Council 7 March 2024
Capital Budget 2024/25 – full Council 7 March 2024
Quarterly Capital Monitoring Reports 2024/25 – Executive - 24 September 2024, 26 November 2024, 18 February 2025

APPENDIX 1

1. INTRODUCTION

1.1. The Capital Budget for 2025/26, set out below, takes into account the principles set out in the Capital Strategy which was approved by the Executive and the full Council in March 2024. The Capital Strategy has been updated to reflect the proposed capital budget for 2025/26, but the principles of the strategy remain unchanged.

2. PRINCIPLES OF THE CAPITAL STRATEGY

2.1. The Capital Strategy for 2024/25 was approved by the Executive and full Council and will be updated for 2025/26 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 2025/26, which will be approved by the Executive and full Council in March 2025.

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 to protect them into the future.
- 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 Communities for Learning Programme and will continue to fully utilise Communities for Learning 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 Communities for Learning 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 IT 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 assessed, as follows:-

- How closely the project will contribute to the priorities of the Council Plan;
- Whether the project attracts significant external funding;
- Whether the project will lead to revenue savings;
- Whether the project will help mitigate a corporate risk.

3. FUNDING THE CAPITAL PROGRAMME 2025/26

3.1. The funds available to finance the capital programme for 2025/26 are shown in Table 1 below. It should be noted that the figures 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 28 February 2025. It is not anticipated that the level of funding will change significantly between the provisional and final settlement.

Table 1
Anticipated Capital Funding Available for 2025/26

Source of Funding	£'000	£'000
General Fund Capital Programme		
Schemes / Funding brought forward from 2024/25	6,439	
General Capital Grant 2025/26	2,661	
Supported Borrowing	2,126	
UK and Welsh Government Grants (secured)	9,829	
Capital Receipts Reserve	500	
Earmarked Reserves	700	
Funding for the General Capital Programme (Council Fund)		**22,255**
Communities for Learning		
Unsupported Borrowing	152	
Funding for Communities for Learning		**152**
Housing Revenue Account (HRA)		
HRA Reserve	0	
HRA - In-year Surplus	5,488	
Welsh Government Major Repairs Allowance & Other external grants	4,483	
Funding for HRA		**9,971**
Total Capital Funding 2025/26		**32,378**

3.2. The General Capital Funding received from Welsh Government (WG) for 2025/26 is £401k higher than the allocation for 2024/25, which is the first significant increase that the Council has received for a number of years, but the increase does not make up for the erosion in the value of the funding that has taken place due to inflation.

3.3. Although the Council does have unsold schools, the capital receipts generated will have been allocated to fund the replacement school e.g Ysgol Llangaffo remains unsold but the capital receipts from any future sale has been allocated as part of the funding for Ysgol Santes Dwynwen. The Council does hold a small number of assets which it wishes to dispose of, and there is a balance of capital receipts which have not been allocated to any particular scheme. It is proposed to release £500k of these unallocated capital receipts to increase the funding available in 2025/26.

3.4. In previous years, sums have also been held as earmarked reserves to fund individual projects. The Council has used £3.78m of reserves to balance the 2023/24 revenue budget, with a further planned use of £4.4m in 2024/25. This has diminished the Council's reserves to the minimum level and does not allow for the use of reserves as capital funding in 2025/26, although £700k of earmarked reserves are available to fund capital projects in 2025/26.

3.5. The HRA funding is earmarked for HRA projects and cannot be used for any other purpose. The HRA reserve is now forecast to reach its minimum level and no further funding can be released from reserves. The surplus generated by the HRA Revenue Account is re-invested in the housing stock through the capital programme, and the figure shown above is based on the estimated surplus as set out in the 30 year Business Plan. Grant funding is made up of the Welsh Government's Major Repair Allowance and grant funding for the development of an extra care facility in Menai Bridge.

4. PROPOSED CAPITAL PROGRAMME 2025/26

4.1. 2024/25 Schemes Carried Forward

The capital budget monitoring report to the end of quarter 3 of 2024/25 estimates that the capital programme will underspend by £6.439m, although the final position may change during the final quarter. Once the final position in respect of 2024/25 is known, this will be reported to the Executive alongside a request to approve the carrying forward of funding from 2024/25 to 2025/26. The schemes which are likely to carry forward to 2025/26 are shown in the table below:-

Table 2
2024/25 Schemes Brought Forward

2024/25 Schemes Brought Forward	2025/26 £'000
School Building Major Repairs & Upgrades	769
Purchase of Vehicles	48
Purchase of IT Equipment	352
Upgrade of Public Conveniences	270
Match Funding for Low Carbon Heat Grants	696
Holyhead Regeneration (THI Phase II)	291
Maritime and Visitor Infrastructure	190
Holyhead : Culture and Heritage Driven Transformation	3,426
Flood Relief Schemes	110
Canolfan Glanhwfa	287
Total Schemes Brought Forward	**6,439**
Funded By	
Supported Borrowing	992
Welsh and UK Government Grants	4,987
Earmarked Reserves	460
Total Funding for Schemes Brought Forward	**6,439**

4.2. Refurbishment / Replacing Existing Assets

Each year, it is necessary to invest in the Council's assets to prolong their life and ensure that they are fit for purpose, or to replace obsolete assets. The following sums are proposed:-

- **Refurbishment of Schools –** The cost of clearing the backlog maintenance in the Council's 46 schools is considerable and cannot be fully funded in the short to medium term. The Council's school modernisation programme may reduce some of this cost, but a large number of the existing schools will remain in use in the long term. A sum of £471k has been allocated, with a further £319k allocated as match funding for work funded from WG's Low Carbon Heat grant, and this will draw down £2.873m of grant funding. In addition to this funding, £345k has been allocated to begin the work of upgrading toilets at the Council's secondary schools. Work will be prioritised to undertake the most urgent upgrades first.

- **Refurbishment of Non School Buildings –** Due to insufficient funding over a number of years, the condition of the Council's buildings continue to deteriorate. £1.1,452m of work has been identified for 2025/26 and this is at leisure centres, libraries, residential care homes and day care facilities. In addition, £127k has been allocated as match funding for work funded from WG Low Carbon Heat grant, which will result in £1.144m of grant funding being drawn down. Work continues on the refurbishment of Plas Arthur Leisure Centre, with a further £500k being allocated from earmarked reserves.

- **Highways Resurfacing –** The Annual Status and Option Report confirms that an annual budget of £2.5m is required in order to sustain the Steady State (Preventative) condition of our roads. A budget below this required amount would inevitably result in less efficiency and reduced value for money, with additional costs to the Highway Authority, with more money being spent on emergency works and also the risk of increased third party claims being made against the Authority. A budget allocation of £1.7m has been provided for this work. However, it is anticipated that WG may fund additional borrowing which will allow this allocation to be increased in both 2025/26 and 2026/27.

- **Vehicles –** The Council is committed to becoming a carbon neutral organisation and, in order to achieve that commitment, the Council needs to reduce the number of petrol and diesel powered vehicles. However, achieving this within the current funding limitations will be challenging and the Council will be reliant on additional grant funding, or will have to change from direct purchase to leasing in order to achieve the change. The Service has identified a new gritter and replacement minibuses for Môn Community Transport as the priority. £240k is allocated in the proposed budget to purchase one new gritter and to begin the MCT minibus replacement programme, with a further £300k allocated to replace older vehicles in the fleet.

- **IT Assets –** Continued investment is required to maintain the Council's core infrastructure and to replace devices used by staff to access systems. £271k has been identified as the sum required to maintain the core infrastructure and to replace desktop devices.

- **IT Assets in Schools –** Significant investment has been made in upgrading IT assets in schools using WG funding (HWB). It will be necessary for the Council to fund the replacement of these assets when they reach the end of their useful lives. Although only a small amount of expenditure is required in 2025/26, funds are allocated when available to build up a reserve to fund the significant expenditure, over £2m, which will be necessary in 2027/28. A further £155k has been allocated to fund the replacement cost of IT devices and infrastructure in schools with any unused funding being carried forward to future years.

4.3. Disabled Facilities Grants

The demand for major adaptations to enable disabled residents to continue to live at home continues to be high. Funding of £500k for adapting Council houses is included in the HRA planned maintenance budget, however, the Council must also fund work to private homes as well. The allocation is increased in 2025/26 to £870k, an increase of £120k from the previous year.

5. COMMUNITIES FOR LEARNING PROGRAMME

5.1. The Council's modernisation of the school estate, through WG's Communities for Learning programme, is now moving to the next phase and, as a result, no work is planned on any new schools in 2025/26. A budget of £152k is required to pay retained sums in respect of the Ysgol Y Graig project which was completed in 2024.

6. OTHER PROJECTS

6.1. Flood related schemes are funded by WG grant (85%), with the remaining 15% being funded from the Council's own funding. Work continues to develop a number of projects, including major schemes in Menai Bridge and Llanfair P.G. Design work continues on both schemes, with a final business case being put forward to WG for funding to enable the works to be undertaken. £300k has been allocated as match funding for one of the schemes, but the funding will only be utilised should WG provide grant funding for the schemes. Currently, there is no guarantee that the application will be successful.

6.2. The funding relating to the Holyhead : Culture and Heritage Driven Transformation project moves into its final year, with a number of projects being undertaken by the Council and other organisations. The project is funded by the UK Government through a grant scheme which replaced the previous funding received through EU programmes. In addition to the funding that has been brought forward from 2024/25, a further £4.367m is planned to be spent in 2025/26.

6.3. The Economic Development service is currently seeking grant funding to develop more business units across Anglesey, but the commencement of the schemes is dependent on being successful in grant applications. £200k is allocated to allow further work to take place to develop and design individual schemes.

6.4. Significant expenditure will be required over the medium term to upgrade the Council's waste facilities. This will not only allow ageing equipment to be replaced but will also allow the facilities at both Penhesgyn and Gwalchmai to be upgraded to meet new legislative requirements and to allow the Council to meet WG's recycling targets. Work is ongoing to secure grant funding from WG to fund the majority of the investment. In 2025/26, the Council will receive funding through the UK Government's extended producer responsibility for packaging (eEPR) scheme. It is estimated that the Council will receive £2.3m of funding in 2025/26, and this funding is earmarked to fund essential investment in the waste infrastructure which will not be funded by WG grants. £1.445m has been allocated in the 2025/26 budget.

7. HOUSING REVENUE ACCOUNT

7.1. The Housing Revenue Account (HRA) is a ring-fenced account in terms of both revenue and capital expenditure. The proposed programme for 2025/26 will see the continued investment in the existing stock to ensure continued compliance with the WHQS standards, with £13m being invested.

7.2. Planning work is ongoing to build a new extra care facility in Menai Bridge. £2.276m of expenditure is planned for 2025/26.

The Council continues to build new housing stock across the Island, with a number of projects planned for 2025/26. Each project is subject to a financial viability assessment and is only added to the programme if the assessment is positive and is authorised by the Executive under the agreed authorisation protocol. The total budget for 3 schemes already approved plus a sum for the refurbishment of former council houses which have been re-purchased amounts to £4.985m for 2025/26 but this sum may be increased as more schemes are developed and approved.

The total planned investment for 2025/26 is estimated at £20.594m. The programme will be funded from: the revenue surplus generated in 2025/26 (£5.488m), Unsupported Borrowing (£10.623m) and WG grants (£4.483m).

7.3. The long term investment programme, and how it will be funded over the next 30 years, will be set out in the HRA business plan, which will be presented to the Executive in due course.

7.4. A sum of £350k has been allocated to purchase replacement vehicles for the Housing Maintenance Unit.

8. SUMMARY RECOMMENDED CAPITAL PROGRAMME 2025/26

8.1. The recommended capital programme for 2025/26 is summarised in Table 3 below, and analysed in further detail in Appendix 2:-

Table 3
Summary Recommended Capital Programme 2025/26

	Ref	£'000
2024/25 Schemes Brought Forward – General Fund	Para 4.1	6,439
Refurbishment / Replacement of Assets	Para 4.2 & 4.3	6,304
Heating System upgrades utilising Low Carbon Heat grant funding	Para 4.2	4,463
Communities for Learning	Para 5	152
Flood Relief Schemes	Para 6.1	330
Holyhead : Culture and Heritage Driven Transformation	Para 6.2	4,367
Economic Development Sites and Premises	Para 6.3	200
Waste Infrastructure	Para 6.4	1,445
Housing Revenue Account	Para 7	20,594
Total Recommended Capital Programme 2025/26		**44,294**
Funded By:		
General Capital Grant		2,661
Supported Borrowing General		3,118
Communities for Learning Unsupported Borrowing		152
Capital Receipts Reserve		500
Earmarked Reserves		1,160
Welsh & UK Government Grants		14,816
Unsupported Borrowing – General Fund		1,293
HRA Revenue Account Surplus		5,488
HRA External Grants		4,483
HRA Unsupported Borrowing		10,623
2025/26 Total Capital Funding		**44,294**

8.2. The total capital programme shown in Table 3, above, exceeds the anticipated capital funding available shown in Table 1 by £11.916m. This will be funded by unsupported borrowing by the General Fund £1.293m and by the HRA £10.623m.

8.3. This additional unsupported borrowing will create additional revenue expenditure in terms of an increased minimum revenue provision (MRP) and interest costs in 2026/27. The actual additional cost will depend on the interest rate when the funding is borrowed and the life of the asset which is funded by the borrowing. As the Council has adopted the annuity method to calculate the MRP charge, the value of this charge increases over time, with the total sum charged to the revenue account equalling the sum borrowed.

APPENDIX 2

FINAL PROPOSED CAPITAL BUDGET 2025/26

Scheme	Budget £'000	External Grants £'000	General Capital Grant £'000	Supported Borrowing £'000	Unsupported Borrowing £'000	HRA Surplus £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000
2024/25 Committed schemes b/f								
Refurbishment of Schools	769	193		576				
Vehicle Replacement	48			48				
IT Equipment Replacement	352			352				
Upgrade of Public Conveniences	270						270	
Low Carbon Heating Systems	696	696						
Holyhead Regeneration (THI Phase II)	291	291						
Maritime and Visitor Infrastructure	190						190	
Holyhead : Culture and Heritage Driven Transformation	3,426	3,426						
Flood Relief Schemes	110	94		16				
Canolfan Glanhwfa	287	287						
Total 2025/26 Committed Schemes	**6,439**	**4,987**	**0**	**992**	**0**	**0**	**460**	**0**
Refurbishment / Replacement of Assets								
Refurbishment of School Buildings	471			471				
Refurbishment of Secondary School Toilets	345							345
Refurbishment and Repairs – Council Offices	125				125			
Refurbishment and Repairs – Amlwch Leisure Centre	80			80				
Refurbishment and Repairs – David Hughes Leisure Centre	46			46				
Repairs at Menai Bridge Library	17			17				
Refurbishment and Repairs – Brwynog	69			60	9			
Refurbishment and Repairs – Garreglwyd	514				514			

Scheme	Budget £'000	External Grants £'000	General Capital Grant £'000	Supported Borrowing £'000	Unsupported Borrowing £'000	HRA Surplus £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000
Refurbishment and Repairs – Haulfre	81			81				
Refurbishment and Repairs – Plas Crigyll	100			100				
Refurbishment and Repairs – Plas Mona	70			70				
Refurbishment and Repairs – Hen Rheithordy	35			35				
Refurbishment and Repairs – Gors Felen	315				315			
Vehicle Replacement	540		140	400				
IT Equipment Replacement General	271		271					
IT Equipment Replacement Schools	155							155
Disabled Facilities Grants	870		870					
Refurbishment Plas Arthur Leisure Centre	500						500	
Highway Resurfacing	1,700		1,380	320				
Total Refurbishment / Replacement of Assets	**6,304**	**0**	**2,661**	**1,680**	**963**	**0**	**500**	**500**
Communities for Learning Programme								
Ysgol y Graig	152				152			
Total Communities for Learning Programme	**152**	**0**	**0**	**0**	**152**	**0**	**0**	**0**
Flood Relief Scheme								
Flood Relief Schemes – Match Funding	330				330			
Total Flood Relief Schemes	**330**	**0**	**0**	**0**	**330**	**0**	**0**	**0**
Heating Systems Upgrade to Low Carbon								
Heating Systems Upgrade to Low Carbon	4,463	4,017		446				
Total Heating Systems Upgrade to Low Carbon	**4,463**	**4,017**	**0**	**446**	**0**	**0**	**0**	**0**

Scheme	Budget £'000	External Grants £'000	General Capital Grant £'000	Supported Borrowing £'000	Unsupported Borrowing £'000	HRA Surplus £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000
Holyhead : Culture and Heritage Driven Transformation								
Holyhead : Culture and Heritage Driven Transformation	4,367	4,367						
Total Holyhead : Culture and Heritage Driven Transformation	**4,367**	**4,367**	**0**	**0**	**0**	**0**	**0**	**0**
Economic Development Sites & Premises								
Economic Development Sites & Premises	200						200	
Total Economic Development Sites & Premises	**200**	**0**	**0**	**0**	**0**	**0**	**200**	**0**
Waste Infrastructure								
Internal Recycling Sorting Equipment - Gwalchmai	733	733						
Mobile Plant - Penhesgyn	318	318						
Drainage Works - Penhesgyn	314	314						
Mobile Plant - Gwalchmai	80	80						
Total Waste Infrastructure	**1,445**	**1,445**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL GENERAL FUND	**23,700**	**14,816**	**2,661**	**3,118**	**1,445**	**0**	**1,160**	**500**
Housing Revenue Account								
WHQS Planned Maintenance Programme	12,983	2,690			5,155	5,138		
Extra Care Facility Menai Bridge	2,276	841			1,435			
Vehicle Replacement	350				0	350		
Former Ysgol Niwbrwch Site – New Developments	1,427	880			547			
Cae Braenar Holyhead – New Developments	1,415	72			1,343			
Y Bryn Llanfaethlu – New Developments	563				563			
Refurbishment of Former Council Houses	1,580				1,580			

Scheme	Budget £'000	External Grants £'000	General Capital Grant £'000	Supported Borrowing £'000	Unsupported Borrowing £'000	HRA Surplus £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000
TOTAL HOUSING REVENUE ACCOUNT	**20,594**	**4,483**	**0**	**0**	**10,623**	**5,488**	**0**	**0**
TOTAL CAPITAL PROGRAMME 2025/26	**44,294**	**19,299**	**2,661**	**3,118**	**12,068**	**5,488**	**1,160**	**500**