

ISLE OF ANGLESEY COUNTY COUNCIL

Report to:	EXECUTIVE COMMITTEE
Date:	24 JANUARY 2022
Subject:	CAPITAL BUDGET 2022/23 – INITIAL PROPOSAL
Portfolio Holder(s):	COUNCILLOR R WILLIAMS
Head of Service / Director:	R MARC JONES
Report Author: Tel: E-mail:	MARC JONES – DIRECTOR OF FUNCTION (RESOURCES) / SECTION 151 OFFICER 01248 752601 rmjfi@ynysmon.gov.uk
Local Members:	n/a

A –Recommendation/s and reason/s

1. PURPOSE OF THE REPORT

1.1 The Executive is required to propose a capital budget for 2022/23, which will be presented to full Council for approval at its meeting on 10 March 2022.

2. RECOMMENDATIONS

2.1 To recommend to the full Council the following capital programme for 2022/23:-

	Ref	£'000
2021/22 Schemes Brought Forward	Para 4.1 & Table 2	1,322
Refurbishment / Replacement of Assets	Para 4.2.	5,042
New One Off Capital Projects	Para 5.2 & Table 3	1,432
New One Off Capital Projects (Funded from Reserves and Unsupported Borrowing)	Para 5.3 & Table 4	783
21 st Century Schools	Para 6	8,598
Housing Revenue Account	Para 7	18,784
Total Recommended Capital Programme 2022/23		35,961
Funded By:		
General Capital Grant		1,486
Supported Borrowing General		2,157
General Balances		1,681
21 st Century Schools Supported Borrowing		1,168
21 st Century Schools Unsupported Borrowing		5,261
HRA Reserve & In Year Surplus		10,099
HRA Unsupported Borrowing		6,000
Capital Receipts		600
External Grants		4,854
Earmarked Reserves		1,195
General Fund Unsupported Borrowing		138
2021/22 Funding Brought Forward		1,322
2022/23 Total Capital Funding		35,961

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?

The matter is delegated to the Executive to propose the capital budget.

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

Yes

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

N/A

Dd – 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 21st Century Schools 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.	The capital budget will be subject to a formal budget consultation prior to final approval by the Council in March 2022
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 / Strategic Leadership Team (SLT) (mandatory)	Comments from the SLT have been incorporated into the report.
2	Finance / Section 151 (mandatory)	n/a – this is the Section 151 Officer's report.
3	Legal / Monitoring Officer (mandatory)	The Monitoring Officer is a Member of the SLT and any comments made have been taken into account in discussions on this report in the SLT.
4	Human Resources (HR)	Any proposals which impact on staff will have been identified and discussed with the HR Team
5	Property	Any proposal which impacts on the Council's property and related budgets will have been discussed with the Property Team.
6	Information Communication Technology (ICT)	Any proposal which impacts on the Council's information technology systems and related budgets will have been discussed with the ICT Team.
7	Scrutiny	TBC
8	Local Members	Proposals are applicable to all Members.
9	Any external bodies / other/s	
F - Appendices:		
Appendix 1 – Report on the Capital Budget 2022/23 Appendix 2 – Proposed Capital Budget 2022/23		
FF - Background papers (please contact the author of the Report for any further information):		
Capital Strategy Report – full Council 9 March 2021 Capital Budget 2021/22 – full Council 9 March 2021		

DRAFT CAPITAL BUDGET 2022/23**1. INTRODUCTION**

- 1.1.** The draft Capital Budget for 2022/23, set out below, takes into account the principles set out in the Capital Strategy which was approved by the Executive in March 2021 and the full Council in March 2021.

2. PRINCIPLES OF THE CAPITAL STRATEGY

- 2.1.** The Capital Strategy for 2021/22 was approved by the Executive and full Council and will be updated for 2022/23 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 2022/23, which will be approved by the Executive and full Council in March 2022.

- 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 21st Century Schools Programme and will continue to fully utilise 21st Century Schools external funding.

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

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

- 2.4.** The Capital Strategy also sets out how any new bids should be assessed, as follows:-

- How closely the project will contribute to the priorities of the Corporate 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 2022/23

3.1. The funds available to finance the capital programme for 2022/23 are shown in Table 1 below. It should be noted that the figure for the General Capital Grant and Supported Borrowing are based on the provisional Local Government settlement figures. The final figure will not be known until the final settlement figures are announced on 2 March 2022. The level of funding under both headings have remained fairly constant over a number of years and are not anticipated to change significantly between the provisional and final settlement.

Table 1
Anticipated Capital Funding Available for 2022/23

Source of Funding	£'000	£'000
General Fund Capital Programme		
Schemes/Funding brought forward from 2021/22	1,322	
General Capital Grant	1,486	
Supported Borrowing	2,157	
Capital Receipts	600	
Capital Reserve	250	
General Balances	1,681	
Service Reserves	110	
Earmarked Reserves	835	
Unsupported Borrowing	138	
Funding for the General Capital Programme (Council Fund)		8,579
21st Century Schools		
Supported Borrowing	1,168	
Unsupported Borrowing	5,261	
Welsh Government Grant	2,169	
Funding for 21st Century Schools		8,598
Housing Revenue Account (HRA)		
HRA Reserve	3,080	
HRA - In-year Surplus	7,019	
Welsh Government Major Repairs Allowance	2,685	
Unsupported Borrowing	6,000	
Funding for HRA		18,784
Total Capital Funding 2022/23		35,961

3.2. The General Capital Funding received from Welsh Government for 2022/23 totals £3.643m. There has been little increase in the general capital allocation received from Welsh Government for a number of years as additional capital funding has been directed to specific projects e.g. 21st Century Schools. If this level of funding continues in 2023/24 and beyond, the Council's capital programme will either be limited to the refurbishment and replacement of existing assets or the allocations shown above will have to be reduced in order to free up funding to meet other commitments. However, for 2022/23, the general capital grant has reduced by £677k compared to the funding received in 2021/22.

- 3.3.** The potential for any significant capital receipts is limited as the majority of any remaining assets which remain unsold have been already earmarked to fund existing or future capital projects (21st Century Schools, leisure improvements and smallholdings).
- 3.4.** In previous years, funding has been available from an earmarked reserve which was specifically set up to fund capital projects. Over the past few years, this reserve has been used as a source of funding but the balance has fallen considerably and the remaining balance will be held to fund any emergency capital works which may arise during the year or to provide match funding if the offer of significant grant funding was received during the year which required a small amount of match funding.
- 3.5.** The HRA funding is earmarked for HRA projects only and cannot be used for any other projects. The plan allows for the use of £3.080m in 2022/23, leaving £1.5m as the ongoing reserve balance. This is in accordance with the HRA Business Plan which has been previously approved by the Council.

4. DRAFT CAPITAL PROGRAMME (Committed Schemes)

4.1. 2021/22 Schemes Carried Forward

The following schemes will not be completed in 2021/22 and will carry forward to 2022/23.

Table 2
2021/22 Schemes Brought Forward

2021/22 Schemes Brought Forward	2022/23 £'000
Penrhos Phase 2	493
Tourism Gateway	170
Holyhead Landscape Partnership	190
Holyhead Regeneration (THI Phase II)	350
Llangefni Gateway Joint Venture	119
Total Schemes Brought Forward	1,322

4.2. Refurbishing/Replacing Existing Assets

4.2.1 Each year, sums are allocated in the capital programme in order to maintain, upgrade or replace existing assets. The sums allocated have been reviewed by the Finance Team in consultation with the relevant service and the following sums are recommended for 2022/23:-

- **Disabled Facilities Grant (DFGs)** – In previous years, £750k has been allocated and this was supplemented in the last 3 years by the use of Intermediate Care Fund grants. The Director of Social Services has indicated that the use of the Intermediate Care Fund grant to top up the core budget is no longer possible and, as such, a core budget of £750k will be required in 2022/23 to meet the demand for adaptation works.

- **Refurbishment of Schools** – The backlog maintenance in schools is significant and cannot be funded in the short to medium term. Whilst some of this may be mitigated by the 21 Century School Programme, some urgent works on buildings unaffected by this programme are still needed. The Property Services Team has identified the most urgent work to utilise the usual allocation of £1m. However, the sum that can be expended on schools ideally needs to be carried out over holiday periods to avoid health and safety risks and disruption. This means that some longer term projects need to be started now so they can be completed before serious risks arise. Secondary schools in particular are in a very poor condition and need substantial investment. However, some building issues are becoming critical and cannot wait for the 21st Century Schools Programme. Ideally, the authority should be allocating approximately £2.5m annually.
 - **Refurbishment of Non School Buildings** – Again, a backlog of work has been identified in the Council's offices, residential homes, day care facilities, libraries and leisure centres and there is insufficient funding to undertake this work in any one year. £600k has been allocated in previous year and this level of funding will be sufficient to meet the cost of the majority of the priority work required to be undertaken but, in 2022/23, an additional £100k has been allocated, bringing the total budget up to £700k.
- Highways Resurfacing** – The Annual Status and Option Report confirms that an annual budget of £2m 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. The Executive recognises the importance of the continued investment in the Council's road network, but also recognises that £2m is a significant proportion of the Council's core capital budget and allocating this sum each year will be difficult. The proposal is to fund £2m from the Council's core capital funding, which includes the use of £1.110m from the Council's General Balances.
- **Vehicles** – The Council is committed to becoming a carbon neutral organisation by 2030 and, in order to achieve that commitment, the Council needs to reduce the number of petrol and diesel powered vehicles. £200k is to be allocated from an earmarked reserve which is in place for the purpose of funding projects designed to reduce the Council's carbon footprint. This will allow for the purchase of electric vehicles. An additional £100k is to be allocated to fund the continued cyclical replacement of the Council's fleet of gritters.
 - **I.T. Assets** – Continued investment is required to maintain the Council's core infrastructure and to replace devices used by staff to access systems. £171k has been identified as a sum required to maintain the core infrastructure, with £121k required for desktop devices.

5. OTHER BIDS FOR ADDITIONAL FUNDING

- 5.1. Services were requested to put forward bids for capital funding. These bids were assessed by the Finance Team, and then prioritised by the Senior Leadership Team. Excluding the 21st Century Schools programme and the Housing Revenue Account, the general core funding available, including earmarked reserves and general balances, for 2022/23 totalled £7.257m, of which £5.042m is required for the above, leaving £2.215m to fund any new one off projects.

- 5.2. The Senior Leadership Team has reviewed the bids for funding and the following projects are recommended to be included in the 2022/23 capital programme (see Table 3 below):-

Table 3
Recommended One off Capital Projects to be Funded in 2022/23

Project Title	Description	Sum Recommended £'000
Economic Development and environmental wellbeing projects	Match funding to be used as and when grant funding becomes available.	100
Upgrade of Public Toilets	A programme of works to upgrade a number of public toilets on the Island. The detailed plan will be reported to the Executive in due course. £100k of the cost to be funded from the Highways, Waste and Property service reserve.	480
Flood Relief Schemes	To provide match funding (15%) for small scale schemes and also to provide match funding (15%) for prioritised major schemes in order to draw down Welsh Government (WG) grant funding. WG grant would, therefore, total £1.592m.	281
External Canopies at 3 Secondary Schools	The canopies would increase the area available for children to sit to eat their lunches. This project would be funded from general balances	371
Maritime Infrastructure	The funding would allow work to be undertaken on pontoons at Amlwch harbour and St George's Pier Menai Bridge. This project would be funded from general balances.	200
TOTAL NEW BIDS FOR CAPITAL FUNDING IN 2022/23		1,432

- 5.3. The remaining £0.783m of funding is from earmarked reserves, service reserves and unsupported borrowing. The recommended projects are shown in Table 4 below:-

Table 4
Projects to be Funded from Earmarked Reserves, Service Reserves and
Unsupported Borrowing

Project Title	Description	Sum Recommended £'000
Coastal Infrastructure	The funding will provide improvements to a number of sites and will include improvements to footpaths, provide better access, improve cycle routes and provide EV charging points. The cost to be funded from the reserve to fund projects which reduce the Council's carbon footprint	200
Repairs to Melin Llynnon	Although the management of the mill has transferred to a private individual, a long term lease cannot be entered into until work is undertaken to repair the mill and allow it to become operational. An earmarked reserve is held by the Council to fund the work, but further funding is required from the Education Service reserve and through unsupported borrowing. The additional income generated from the lease will fund the annual capital financing costs of the unsupported borrowing	103
Ongoing Programme to Upgrade Recycling Equipment	New equipment is required at the Council's recycling centre and the cost will be funded from a specific recycling reserve.	380
Fitness Equipment at David Hughes Leisure Centre	The Council commenced a project to upgrade the fitness equipment at its 4 Leisure Centres and this is the final upgrade. As with previous upgrades, the cost will be funded via unsupported borrowing, with the annual capital financing costs being funded from the additional income that is generated. The experience at the 3 other centres shows that this is a viable funding option.	100
TOTAL NEW BIDS FOR CAPITAL FUNDING IN 2022/23 FUNDED FROM RESERVES AND UNSUPPORTED BORROWING		783

6. 21ST CENTURY SCHOOLS

- 6.1.** Due to the significant amount of Welsh Government funding the schemes will attract, and the need to modernise the existing school estate, the Council is committed to funding these schemes through the use of unsupported borrowing and the capital receipts from the sale of old school sites. The 2022/23 Capital Programme allows for the completion of the final Band A project (new Ysgol Corn Hir) and the commencement of Band B projects (extension to Ysgol y Graig).
- 6.2.** The estimated cost of the programme in 2022/23 is £8.598m (net of any capital receipts), which will be funded from £2.169m Welsh Government grant, £1.168m supported borrowing and £5.261m unsupported borrowing.

7. HOUSING REVENUE ACCOUNT

- 7.1. The Housing Revenue Account is a ring fenced account in terms of both revenue and capital expenditure. The proposed programme for 2022/23 will see the continued investment in the existing stock to ensure continued compliance with the WHQS standards, with £9.555m being invested. A further £9.229m will be spent on developing new properties and in re-purchasing former right to buy properties.
- 7.2. The programme will be funded from: the HRA Reserve (£3.080m), the revenue surplus generated in 2022/23 (£7.019m), Welsh Government grants (£2.685m) and new unsupported borrowing (£6.000m).
- 7.3. The long term investment programme, and how it will be funded over the next 30 years will be set out in the Housing Revenue Account business plan which will be presented to the Executive in due course.

8. SUMMARY RECOMMENDED CAPITAL PROGRAMME 2022/23

- 8.1. The recommended capital programme for 2022/23 is summarised in Table 6 below and analysed in further detail in Appendix 2.

Table 6
Summary Recommended Capital Programme 2022/23

	Ref	£'000
2021/22 Schemes Brought Forward	Para 4.1 & Table 2	1,322
Refurbishment / Replacement of Assets	Para 4.2.	5,042
New One Off Capital Projects	Para 5.2 & Table 3	1,432
New One Off Capital Projects (Funded from Reserves and Unsupported Borrowing)	Para 5.3 & Table 4	783
21 st Century Schools	Para 6	8,598
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Capital Receipts		600
External Grants		4,854
Earmarked Reserves		1,195
General Fund Unsupported Borrowing		138
2021/22 Funding Brought Forward		1,322
2022/23 Total Capital Funding		35,961

APPENDIX 2

PROPOSED CAPITAL BUDGET 2022/23

Scheme	Budget £'000	External Grants £'000	General Capital Grant £'000	Supported Borrowing £'000	Unsupported Borrowing £'000	HRA Reserve £'000	Capital Receipts Reserve £'000	Earmarked Reserves £'000	General Balances £'000
2021/22 Committed schemes b/f									
Penrhos Phase 2	493	493	0	0	0	0	0	0	0
Llangefni Gateway Joint Venture	119	119	0	0	0	0	0	0	0
Tourism Gateway	170	170	0	0	0	0	0	0	0
Holyhead Landscape Partnership	190	190	0	0	0	0	0	0	0
Holyhead Regeneration (THI Ph II)	350	350	0	0	0	0	0	0	0
Total 21/22 Committed Schemes	1,322	1,322	0	0	0	0	0	0	0
Refurbishment / Replacement of Assets									
Disabled Facilities Grant	750	0	750	0	0	0	0	0	0
Refurbishment of Schools	1,000	0	0	1,000	0	0	0	0	0
Refurbishment of Non School Buildings	700	0	450	0	0	0	0	250	0
Highways Resurfacing	2,000	0	14	876	0	0	0	0	1,110
Vehicles	300	0	100	0	0	0	0	200	0
I.T.Assets	292	0	0	0	0	0	292	0	0
Total Refurbishment / Replacement of Assets	5,042	0	1,314	1,876	0	0	292	450	1,110
New One Off Capital Projects									
Flood Relief Schemes	281	0	0	281	0	0	0	0	0
Economic Dev – Match Funding	100	0	100	0	0	0	0	0	0
Upgrade of Public Toilets	480	0	72	0	0	0	308	100	0
External Canopies (3 Secondary Schools)	371	0	0	0	0	0	0	0	371
Maritime Infrastructure	200	0	0	0	0	0	0	0	200
Total New One Off Capital Projects	1,432	0	172	281	0	0	308	100	571

Scheme	Budget £'000	External Grants £'000	General Capital Grant £'000	Supported Borrowing £'000	Unsupported Borrowing £'000	HRA Reserve £'000	Capital Receipts Reserve £'000	Earmarked Reserves £'000	General Balances £'000
Other One Off Capital Projects (Funded from Earmarked Reserves, Service Reserves & Unsupported Borrowing)									
Coastal Infrastructure	200	0	0	0	0	0	0	200	0
Repairs to Melin Llynnon	103	0	0	0	38	0	0	65	0
Upgrade Waste Recycling Equipment	380	0	0	0	0	0	0	380	0
Fitness Equipment – David Hughes LC	100	0	0	0	100	0	0	0	0
Total Other Capital Projects	783	0	0	0	138	0	0	645	0
21st Century Schools									
Band A	3,768	0	0	0	3,768	0	0	0	0
Band B	4,830	2,169	0	1,168	1,493	0	0	0	0
Total 21st Century Schools	8,598	2,169	0	1,168	5,261	0	0	0	0
TOTAL GENERAL FUND	17,177	3,491	1,486	3,325	5,399	0	600	1,195	1,681
Housing Revenue Account									
WHQS Planned Maintenance Programme	9,555	2,685	0	0	0	6,870	0	0	0
New Developments & Re-Purchase of Right to Buy Properties	9,229	0	0	0	6,000	3,229	0	0	0
TOTAL HOUSING REVENUE ACCOUNT	18,784	2,685	0	0	6,000	10,099	0	0	0
TOTAL CAPITAL PROGRAMME 2022/23	35,961	6,176	1,486	3,325	11,399	10,099	600	1,195	1,681