

ISLE OF ANGLESEY COUNTY COUNCIL

Report to:	EXECUTIVE COMMITTEE
Date:	2 MARCH 2023
Subject:	CAPITAL BUDGET 2023/24
Portfolio Holder(s):	COUNCILLOR R WILLIAMS – PORTFOLIO HOLDER – FINANCE, CORPORATE BUSINESS & CUSTOMER EXPERIENCE
Head of Service / Director:	MARC JONES – DIRECTOR OF FUNCTION (RESOURCES) / SECTION 151 OFFICER
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Local Members:	n/a

A –Recommendation/s and reason/s

1. PURPOSE OF THE REPORT

The Executive is required to propose a capital budget for 2023/24, which will be presented to full Council for approval at its meeting on 9 March 2023.

2. RECOMMENDATIONS

To recommend to the full Council the following capital programme for 2023/24:-

	Ref	£'000
2022/23 Schemes Brought Forward	Para 5.1 & Table 2	12,373
Refurbishment / Replacement of Assets	Para 5.2	5,682
New One Off Capital Projects	Para 6.2 & Table 3	386
21 st Century Schools	Para 7	5,964
Housing Revenue Account	Para 8	13,557
Total Recommended Capital Programme 2023/24		37,962
Funded By:		
General Capital Grant		3,410
Supported Borrowing General		2,158
21 st Century Schools Supported Borrowing		919
21 st Century Schools Unsupported Borrowing		2,797
HRA Reserve & In Year Surplus		9,221
HRA Unsupported Borrowing		0
Capital Receipts		500
External Grants		6,584
2022/23 Funding Brought Forward		12,373
2023/24 Total Capital Funding		37,962

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.	As part of the consultation process on the Council's Corporate Plan for 2022 – 2027, 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)	Comments from the LT 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 LT and any comments made have been taken into account in discussions on this report in the LT.
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 2023/24 Appendix 2 – Final Proposed Capital Budget 2023/24		
FF - Background papers (please contact the author of the Report for any further information):		
Capital Strategy Report – full Council 10 March 2022 Capital Budget 2022/23 – full Council 10 March 2022 Quarterly Capital Monitoring Reports 2022/23 – Executive 27 September 2022, 29 November 2022, 2 March 2023		

1. INTRODUCTION

1.1. The Capital Budget for 2023/24, 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 2022. The Capital Strategy has been updated to reflect the proposed capital budget for 2023/24, but the principles of the strategy remain unchanged.

2. PRINCIPLES OF THE CAPITAL STRATEGY

2.1. The Capital Strategy for 2022/23 was approved by the Executive and full Council and will be updated for 2023/24 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 2023/24, which will be approved by the Executive and full Council in March 2023.

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 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 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 2023/24

3.1. The funds available to finance the capital programme for 2023/24 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 28 February 2023. 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 2023/24

Source of Funding	£'m	£'m
General Fund Capital Programme		
Schemes / Funding brought forward from 2022/23	12,373	
General Capital Grant 2023/24	2,216	
Unutilised General Capital Grant b/f from 2022/23	1,701	
Supported Borrowing	2,158	
Capital Receipts	500	
Funding for the General Capital Programme (Council Fund)		18,948
21st Century Schools		
Supported Borrowing	919	
Unsupported Borrowing	2,797	
Welsh Government Grant	2,248	
Funding for 21st Century Schools		5,964
Housing Revenue Account (HRA)		
HRA Reserve	8,646	
HRA - In-year Surplus	575	
Welsh Government Major Repairs Allowance & Other external grants	4,336	
Unsupported Borrowing	0	
Funding for HRA		13,557
Total Capital Funding 2023/24		38,469

3.2. The General Capital Funding received from Welsh Government for 2023/24 totals £4.374m (compared to £3.643m in 2022/23), which is an increase of £0.731m, but only restores the level of funding back to the levels seen in the past 10 years. Although the increase is welcomed, the value of the funding has been significantly eroded over the past 12 months, due to significant inflation in the construction industry. This funding now only provides sufficient funding for the Council to maintain its existing assets.

3.3. The potential for any significant funding in the form of capital receipts is very limited, with any unsold assets already earmarked for existing plans (school modernisation and leisure improvements).

- 3.4. In previous years, the Council has placed funding in earmarked reserves to fund specific projects, to provide a source of match funding when external grant opportunities arise, or to fund emergency capital works should the need arise. The restrictions on the Council's revenue budget has resulted in a review of earmarked reserves and there may be a need to utilise these reserves to help balance the revenue budget in 2024/25 and beyond. This, again, restricts the funding that the Council can allocate from its own reserves towards capital projects.
- 3.5. The HRA funding is earmarked for HRA projects and cannot be used for any other purpose. It is forecast that the balance of the HRA reserve will be in the region of £8.5m by the end of the financial year. The HRA Business Plan sets a target of £1.5m as the minimum HRA reserve balance, which allows the remainder to be used to fund capital expenditure.

4. CONSULTATION PROCESS

- 4.1. As part of the Council's consultation on the Council Plan and future priorities, respondents were asked which areas they wished the Council to prioritise in terms of capital investment, and which areas they wanted to see reduced investment. The conclusion to the consultation process was that the majority of respondents wished to see the Council investing more in building social housing and properties that local people could rent or buy, followed by investment in upgrading Council buildings, investing in road maintenance and improvements and improving flood defences.
- 4.2. Respondents wished to see less investment in improving leisure facilities and 4G pitches, building more industrial and business units and in green energy and electric vehicles.

5. PROPOSED CAPITAL PROGRAMME

5.1. 2022/23 Schemes Carried Forward

There is a forecast underspend of £15.223m on the current Capital Programme for 2022/23 schemes (£4.891m HRA and £10.332m General Fund). This figure is based on the projected outturn position at the end of quarter 3 (Table 4 and Appendix B of the quarter 3 capital budget monitoring report presented to this Committee). The actual outturn position at the end of quarter 4 will be presented to this Committee in a separate capital outturn report, and any slippage amounts requested to be carried forward to 2023/24 will be subject to this Committee's approval at that stage. Committed schemes that are due to run for a number of years from the current year and beyond have been factored in to this programme due to new budgets being required, and are detailed below:-

Table 2
2022/23 Schemes Brought Forward

2022/23 Schemes Brought Forward	2023/24 £'000
Holyhead Landscape Partnership	50
Holyhead Regeneration (THI Phase II)	687
Penrhos Phase III	2,400
Levelling Up Funding (various projects)	9,326
Total Schemes Brought Forward	12,373

5.2. 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 £1m is to be allocated in order to undertake the most urgent works which the Council's Property Team have identified and prioritised.
- **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 proposed, and this level of funding will be sufficient to meet the cost of the majority of the priority work required to be undertaken.
- **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, and proposes a budget of £2.5m for 2023/24, which will allow for some improvement in the overall condition of the road network.
- **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. £390k is to be allocated to fund the purchase of replacement vehicles, with electric vehicles being purchased wherever possible. An additional £150k is to be allocated to fund the continued cyclical replacement of the Council's fleet of gritters.
- **IT 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.

5.3. Disabled Facilities Grants

Although not strictly an investment in the Council's own assets, there is a statutory obligation for the Council to fund grants to private home owners to undertake works which enable disabled residents to remain in their own homes by undertaking adaptation works to their properties. A sum of £750k has been allocated to meet this requirement.

6. OTHER BIDS FOR ONE OFF ADDITIONAL FUNDING

- 6.1. Services were requested to put forward bids for capital funding. These bids were assessed by the Finance Team, and then prioritised by the 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 2023/24 totalled £6.575m, of which £5.682m is required for the above, leaving £0.893m to fund any new one off projects.

- 6.2. The Leadership Team have reviewed the bids received, and the following projects are recommended to be included in the 2023/24 capital programme:-

Table 3

Recommended One off Capital Projects to be Funded in 2023/24

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
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 £1.621m.	286
TOTAL NEW BIDS FOR CAPITAL FUNDING IN 2023/24		386

- 6.3. All other bids were rejected as it was considered that a further decision was required on the future delivery of the service before a capital investment was made, or that a wider strategy needed to be agreed before undertaking the capital investment. The remaining £0.507m would be held in reserve and used in the funding of the 2024/25 capital programme.

7. SCHOOL MODERNISATION

- 7.1. 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 2023/24 Capital Programme allows for the completion of the Extension to Ysgol y Graig.

- 7.2. The estimated cost of the programme in 2023/24 is £5.964m, which will be funded from £2.248m Welsh Government grant, £0.919m supported borrowing and £2.797m unsupported borrowing.

8. HOUSING REVENUE ACCOUNT

- 8.1. The Housing Revenue Account (HRA) is a ring fenced account in terms of both revenue and capital expenditure. The proposed programme for 2023/24 will see the continued investment in the existing stock to ensure continued compliance with the WHQS standards, with £5.350m being invested. A further £8.207m will be spent on developing new properties and in re-purchasing former right to buy properties.

- 8.2. The programme will be funded from: the HRA Reserve (£8.646m), the revenue surplus generated in 2023/24 (£0.575m) and Welsh Government grants (£4.336m).

8.3. 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.

9. SUMMARY RECOMMENDED CAPITAL PROGRAMME 2023/24

9.1. The recommended capital programme for 2023/24 is summarised in Table 4 below, and analysed in further detail in Appendix 2:-

Table 4
Summary Recommended Capital Programme 2023/24

	Ref	£'000
2022/23 Schemes Brought Forward	Para 5.1 & Table 2	12,373
Refurbishment / Replacement of Assets	Para 5.2.	5,682
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21 st Century Schools	Para 7	5,964
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Capital Receipts		500
External Grants		6,584
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FINAL PROPOSED CAPITAL BUDGET 2023/24

Scheme	Budget £'000	External Grants £'000	General Capital Grant £'000	Supported Borrowing £'000	Unsupported Borrowing £'000	HRA Reserve £'000	Capital Receipts Reserve £'000
2022/23 Committed schemes b/f							
Holyhead Landscape Partnership	50	50	0	0	0	0	0
Holyhead Regeneration (THI Phase II)	687	687	0	0	0	0	0
Penrhos Phase III	2,400	2,400	0	0	0	0	0
Levelling Up Funding (various projects)	9,236	9,236	0	0	0	0	0
Total 2022/23 Committed Schemes	12,373	12,373	0	0	0	0	0
Refurbishment / Replacement of Assets							
Disabled Facilities Grant	750	0	750	0	0	0	0
Refurbishment of Schools	1,000	0	0	1,000	0	0	0
Refurbishment of Non School Buildings	600	0	0	600	0	0	0
Highways Resurfacing	2,500	0	1,942	558	0	0	0
Vehicles	540	0	332	0	0	0	208
IT Assets	292	0	0	0	0	0	292
Total Refurbishment / Replacement of Assets	5,682	0	3,024	2,158	0	0	500
New One Off Capital Projects							
Flood Relief Schemes	286	0	286	0	0	0	0
Economic Dev – Match Funding	100	0	100	0	0	0	0
Total New One Off Capital Projects	386	0	386	0	0	0	0
21st Century Schools							
Ysgol y Graig	5,964	2,248	0	919	2,797	0	0
Total 21st Century Schools	5,964	2,248	0	919	2,797	0	0
TOTAL GENERAL FUND	24,405	14,621	3,410	3,077	2,797	0	500

Scheme	Budget £'000	External Grants £'000	General Capital Grant £'000	Supported Borrowing £'000	Unsupported Borrowing £'000	HRA Reserve £'000	Capital Receipts Reserve £'000
Housing Revenue Account							
WHQS Planned Maintenance Programme	5,350	3,586	0	0	0	1,764	0
New Developments & Re-Purchase of Right to Buy Properties	8,207	750	0	0	0	7,457	0
TOTAL HOUSING REVENUE ACCOUNT	13,557	4,336	0	0	0	9,221	0
TOTAL CAPITAL PROGRAMME 2023/24	37,962	18,957	3,410	3,077	2,797	9,221	500