

**ISLE OF ANGLESEY COUNTY COUNCIL**

<b>Report to:</b>	<b>EXECUTIVE COMMITTEE</b>
<b>Date:</b>	<b>29 FEBRUARY 2024</b>
<b>Subject:</b>	<b>CAPITAL BUDGET 2024/25</b>
<b>Portfolio Holder(s):</b>	<b>ROBIN WILLIAMS – DEPUTY LEADER &amp; PORTFOLIO HOLDER – FINANCE</b>
<b>Head of Service / Director:</b>	<b>MARC JONES – DIRECTOR OF FUNCTION (RESOURCES) / SECTION 151 OFFICER</b>
<b>Report Author:</b>	<b>MARC JONES – DIRECTOR OF FUNCTION (RESOURCES) / SECTION 151 OFFICER</b>
<b>Tel:</b>	<b>01248 762601</b>
<b>E-mail:</b>	<b>rmjfi@ynysmon.gov.wales</b>
<b>Local Members:</b>	<b>n/a</b>

**A –Recommendation/s and reason/s**

The Executive is required to propose a capital budget for 2024/25, which will be presented to the full Council for approval at its meeting on 7 March 2024.

**RECOMMENDATIONS**

To recommend to the full Council the following capital programme for 2024/25:-

	<b>Ref</b>	<b>£'000</b>
2023/24 Schemes Brought Forward		6,102
Refurbishment / Replacement of Assets		4,856
Communities for Learning Programme		2,878
Housing Revenue Account (HRA)		30,002
<b>Total Recommended Capital Programme 2024/25</b>		<b>43,838</b>
<b>Funded By:-</b>		
General Capital Grant		2,222
Supported Borrowing General Fund		2,164
Decommitted Scheme Funding b/f from 2023/24		470
Communities for Learning – Unsupported Borrowing		2,700
Capital receipts Reserve		178
HRA Reserve and In Year Surplus		17,315
HRA External Grants		11,751
HRA Unsupported Borrowing		936
2023/24 Funding Brought Forward		6,102
<b>2024/25 Total Capital Funding</b>		<b>43,838</b>

**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.

<b>CH – Is this decision consistent with policy approved by the full Council?</b>		
Yes		
<b>D – Is this decision within the budget approved by the Council?</b>		
Not applicable		
<b>Dd – Assessing the potential impact (if relevant):</b>		
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.
<b>E - Who did you consult?</b>		<b>What did they say?</b>
1	Chief Executive / Leadership Team (LT) (mandatory)	Options were considered by the Leadership Team at its meeting on 24 January 2024.
2	Finance / Section 151 (mandatory)	Author of the report.
3	Legal / Monitoring Officer (mandatory)	The Director of Function - Council Business attended the Leadership Team meeting on 24 January 2024.
4	Human Resources (HR)	The Head of Profession – HR and Transformation attended the Leadership Team meeting on 24 January 2024.

5	Property	The Head of Service – Highways, Waste and Property attended the Leadership Team meeting on 24 January 2024.
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
<b>F - Appendices:</b>		
Appendix 1 – Report on the Capital Budget 2024/25 Appendix 2 – Final Proposed Capital Budget 2024/25		
<b>FF - Background papers (please contact the author of the Report for any further information):</b>		
Capital Strategy Report – full Council 9 March 2023 Capital Budget 2023/24 – full Council 9 March 2023 Quarterly Capital Monitoring Reports 2023/24 – Executive 26 September 2023, 28 November 2023		

**1. INTRODUCTION**

1.1. The Capital Budget for 2024/25, 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 2023. The Capital Strategy has been updated to reflect the proposed capital budget for 2024/25, but the principles of the strategy remain unchanged.

**2. PRINCIPLES OF THE CAPITAL STRATEGY**

2.1. The Capital Strategy for 2023/24 was approved by the Executive and full Council and will be updated for 2024/25 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 2024/25, which will be approved by the Executive and full Council in March 2024.

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 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 2024/25

3.1. The funds available to finance the capital programme for 2024/25 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 2024. 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 2024/25**

Source of Funding	£'000	£'000
<b>General Fund Capital Programme</b>		
Schemes / Funding brought forward from 2023/24	6,102	
General Capital Grant 2024/25	2,222	
Decommitted Scheme Funding b/f from 2023/24	470	
Supported Borrowing	2,164	
<b>Funding for the General Capital Programme (Council Fund)</b>		<b>10,958</b>
<b>Communities for Learning</b>		
Unsupported Borrowing	2,700	
Capital Receipts Reserve	178	
<b>Funding for Communities for Learning</b>		<b>2,878</b>
<b>Housing Revenue Account (HRA)</b>		
HRA Reserve	8,160	
HRA - In-year Surplus	9,155	
Welsh Government Major Repairs Allowance & Other external grants	11,751	
HRA Unsupported Borrowing	936	
<b>Funding for HRA</b>		<b>30,002</b>
<b>Total Capital Funding 2024/25</b>		<b>43,838</b>

3.2. The General Capital Funding received from Welsh Government for 2024/25 is £12k higher than the allocation for 2023/24 and is in line with the funding levels seen over the past 12 years. There has been no significant increase in the funding, despite the fact that the value of the funding has been significantly eroded by inflation over this period.

- 3.3. Although the Council does have unsold schools, the capital receipts generated has been allocated to fund the replacement school. The Council does hold a small number of assets which it wishes to dispose of, but they are not considered to be very marketable properties and no sales are anticipated in 2024/25. If any sales occur, and they generate a capital receipt, the capital receipt would be available as an additional source of funding 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 2024/25.
- 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 £9.3m by the end of this financial year. The HRA Business Plan sets a target of 5% of income receivable (circa £1.2m) as the minimum HRA reserve balance, which allows the remainder to be used as capital funding in 2024/25.

#### 4. PROPOSED CAPITAL PROGRAMME 2024/25

##### 4.1. 2023/24 Schemes Carried Forward

The capital budget monitoring report to the end of quarter 3 of 2023/24 estimates that the capital programme will underspend by £9.236m, although the final position may change during the final quarter. Once the final position in respect of 2023/24 is known, this will be reported to the Executive alongside a request to approve the carrying forward of funding from 2023/24 to 2024/25.

Committed schemes that are due to run for a number of years from the current year and beyond have been factored into this programme due to new budgets being required.

**Table 2**  
**2023/24 Schemes Brought Forward**

2023/24 Schemes Brought Forward	2024/25 £'000
Holyhead Regeneration (THI Phase II)	1,207
Levelling Up Funding (various projects)	4,895
<b>Total Schemes Brought Forward</b>	<b>6,102</b>

##### 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 £1m is to be allocated in order to undertake the most urgent works which the Council's Property Team have identified and prioritised. The funding will also provide a source for match funding for Low Carbon Heat grants which the Council has applied for.

- **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 budget allocation of £2m will also be utilised to provide match funding for small scale flooding relief schemes where required, as these schemes do not only help to prevent flooding but they also protect the road network from damage when flooding occurs.
- **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. 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. £206k is allocated in the proposed budget to purchase one new gritter and to begin the MCT minibus replacement programme.
- **IT Assets** – Continued investment is required to maintain the Council’s core infrastructure and to replace devices used by staff to access systems. £300k has been identified as the sum required to maintain the core infrastructure and to replace desktop devices.

#### 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. It is anticipated that around £600k of commitments exist in 2024/25 in addition to any new applications that will be received during 2024/25. The proposal is to maintain the annual budget allocation of £750k for 2024/25.

### 5. OTHER BIDS FOR ADDITIONAL ONE-OFF FUNDING

- 5.1. Services were invited to submit bids for capital funding for 2024/25 to fund the cost of one-off projects. A total of 13 bids, amounting to £1.793m were received. Having considered the bids, and given the limited funding available, none of the bids were considered to be necessary to prevent the risk of service failure at this point. However, this may change in future years.
- 5.2. A small number of the bids could be funded through unsupported borrowing, as they have the potential to generate sufficient revenue savings or additional income that would be sufficient to meet the additional annual capital financing costs. Services may present a business case for consideration in 2024/25 which will be considered by the Executive as and when the cases are presented.

## 6. COMMUNITIES FOR LEARNING PROGRAMME

- 6.1. The Council's modernisation of the school estate, through the Welsh Government's Communities for Learning programme continues, although currently the programme only includes the completion of the Ysgol Y Graig extension.
- 6.2. A bid for the next tranche of funding will be submitted in due course but, for 2024/25, only the Ysgol Y Graig scheme is included in the budget for 2024/25. It is estimated that the remainder of the scheme will cost £3.030m (2024/25 £2.878m and 2025/26 £0.152m) and this will be funded in 2024/25 through unsupported borrowing £2.7m and the use of capital receipts from the sale of Ysgol Talwrn, £0.178m.

## 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 2024/25 will see the continued investment in the existing stock to ensure continued compliance with the WHQS standards, with £13m being invested. A further £17.002m 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 (£8.160m), the revenue surplus generated in 2024/25 (£9.155m), Unsupported Borrowing (£0.936m) and Welsh Government grants (£11.751m).
- 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 2024/25

- 8.1. The recommended capital programme for 2024/25 is summarised in Table 3 below, and analysed in further detail in Appendix 2:-

**Table 3**  
**Summary Recommended Capital Programme 2024/25**

	Ref	£'000
2023/24 Schemes Brought Forward	Para 4.1	6,102
Refurbishment / Replacement of Assets	Para 4.2 & 4.3	4,856
Communities for Learning	Para 6	2,878
Housing Revenue Account	Para 7	30,002
<b>Total Recommended Capital Programme 2024/25</b>		<b>43,838</b>
<b>Funded By:</b>		
General Capital Grant		2,222
Supported Borrowing General		2,164
Decommitted Scheme Funding b/f from 2023/24		470
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Capital receipts Reserve		178
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2023/24 Funding Brought Forward		6,102
<b>2024/25 Total Capital Funding</b>		<b>43,838</b>

## FINAL PROPOSED CAPITAL BUDGET 2024/25

Scheme	Budget £'000	External Grants £'000	General Capital Grant £'000	Supported Borrowing £'000	Unsupported Borrowing £'000	HRA Reserve £'000	Capital Receipts Reserve £'000
<b>2023/24 Committed schemes b/f</b>							
Holyhead Regeneration (THI Phase II)	1,207	1,207					
Levelling Up Funding (various projects)	4,895	4,895					
<b>Total 2023/24 Committed Schemes</b>	<b>6,102</b>	<b>6,102</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Refurbishment / Replacement of Assets</b>							
Disabled Facilities Grant	750		750				
Refurbishment of Schools	1,000			1,000			
Refurbishment of Non School Buildings	600			600			
Highways Resurfacing	2,000		1,472	528			
Vehicles	206			206			
IT Assets	300			300			
<b>Total Refurbishment / Replacement of Assets</b>	<b>4,856</b>		<b>2,222</b>	<b>2,634</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Communities for Learning Programme</b>							
Ysgol y Graig	2,878				2,700		178
<b>Total Communities for Learning Programme</b>	<b>2,878</b>				<b>2,700</b>		<b>178</b>
<b>TOTAL GENERAL FUND</b>	<b>13,836</b>	<b>6,102</b>	<b>2,222</b>	<b>2,634</b>	<b>2,700</b>	<b>0</b>	<b>178</b>

<b>Scheme</b>	<b>Budget £'000</b>	<b>External Grants £'000</b>	<b>General Capital Grant £'000</b>	<b>Supported Borrowing £'000</b>	<b>Unsupported Borrowing £'000</b>	<b>HRA Reserve £'000</b>	<b>Capital Receipts Reserve £'000</b>
<b>Housing Revenue Account</b>							
WHQS Planned Maintenance Programme	13,000	3,646				9,354	
New Developments & Re-Purchase of Right to Buy Properties	17,002	8,105			936	7,961	
<b>TOTAL HOUSING REVENUE ACCOUNT</b>	<b>30,002</b>	<b>11,751</b>			<b>936</b>	<b>17,315</b>	
<b>TOTAL CAPITAL PROGRAMME 2024/25</b>	<b>43,838</b>	<b>17,853</b>	<b>2,222</b>	<b>2,634</b>	<b>3,636</b>	<b>17,315</b>	<b>178</b>