

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	EXECUTIVE
Date:	29 FEBRUARY 2024
Subject:	CAPITAL STRATEGY 2024 – 2029
Portfolio Holder(s):	Robin Williams – Deputy Leader and Portfolio Holder – Finance
Head of Service / Director:	Marc Jones Director of Function (Resources) / Section 151 Officer
Report Author:	Marc Jones
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Local Members:	Not applicable
A –Recommendation/s and reason/s	
<p>The revised CIPFA Prudential Code (September 2017) introduced the requirement that all authorities must produce a capital strategy. This must set out the long term context in which capital expenditure and investment decisions are made. The requirement is aimed at ensuring that authorities take capital and investment decisions in line with the service objectives, and properly take into account stewardship, value for money, prudence, sustainability and affordability. The capital strategy is linked to a number of other plans and strategies. They include: -</p> <ul style="list-style-type: none"> • The Council Plan; • The Corporate Asset Management Strategy; • The IT Strategy, including the School’s Digitalisation Strategy; • The Net Zero Carbon Reduction Strategy; • The Leisure Improvement Strategy; • The Modernising Learning Communities and Developing Welsh Language Strategy; • The Resources and Recycling Strategic Plan; • The Housing Asset Management Strategic Plan; • The Housing Revenue Account 30 Year Business Plan; • The Treasury Management Strategy. <p>The Executive is requested to recommend the Capital Strategy to the full Council for its formal approval.</p>	
B – What other options did you consider and why did you reject them and/or opt for this option?	
No other options were considered as the adoption of a capital strategy is a requirement of the CIPFA Prudential Code.	
C – Why is this a decision for the Executive?	
In accordance with the requirements of the Code and the Council's Constitution, the Executive is requested to consider the strategy and recommend its approval to the full Council.	

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

Approval of the strategy will be given by the full Council.

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

The capital strategy will form the basis for the 2024/25 capital budget, which will be approved by the full Council on 7 March 2024.

Dd – Assessing the potential impact (if relevant):

1	How does this decision impact on our long term needs as an Island?	The capital strategy summarises the long term capital investment required by the Council to achieve its long term objectives as set out in the Council Plan. The Council Plan is a 5 year plan which sets out the Council's strategic objectives which are designed to address the long term needs of the Island.
2	Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority? If so, how?	The capital strategy sets out the Council's future capital investment requirement. Capital investment is designed to ensure ongoing service delivery which can avoid significant future costs.
3	Have we been working collaboratively with other organisations to come to this decision? If so, please advise whom	Delivery of the capital investment programme requires working collaboratively with UK and Welsh Government, other local authorities in North Wales, other grant funding bodies and delivery partners.
4	Have Anglesey citizens played a part in drafting this way forward, including those directly affected by the decision? Please explain how.	Citizens were consulted prior to drafting the final Council Plan. The Capital Strategy will help to deliver the Council Plan.
5	Note any potential impact that this decision would have on the groups protected under the Equality Act 2010.	Capital investment will help a number of protected groups, through investment in buildings, providing disabled facilities grants, investing in leisure facilities etc.
6	If this is a strategic decision, note any potential impact that the decision would have on those experiencing socio-economic disadvantage.	Capital investment will inject a significant amount of money into the local economy and help to provide local employment. The investment in housing will provide additional affordable homes for local people.

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.	Capital investment will be made into local communities by investing in schools, smallholdings, commercial premises etc. The investment will help to maintain local communities, which will have a beneficial effect on the Welsh language.
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 – the strategy was drafted by the Section 151 Officer.
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)	No direct impact on staff.
5	Property	The Capital Strategy takes into account the Council's Asset Management Plan.
6	Information Communication Technology (ICT)	The Capital Strategy takes into account the Council's Digital and IT strategy.
7	Scrutiny	TBC
8	Local Members	Proposals are applicable to all Members.
9	Any external bodies / other/s	N/A
F - Appendices:		
Appendix 1 – Capital Strategy 2024 – 2029		
FF - Background papers (please contact the author of the Report for any further information):		
<p>Council Plan 2023 – 2028 Treasury Management Strategy 2023/24 – will be updated in March 2024 Medium Term Financial Plan – Executive, 26 September 2023 Revenue Budget 2024/25 – Initial Proposals – Executive, 23 January 2024</p>		

Ynys Môn

THE ISLE OF

Anglesey



Capital Strategy

2024-2029



Foreword by the Council Leader and Chief Executive

Capital investment is essential for Anglesey from a social, economic, environmental and community perspective but, in the current financial climate, it is important that long term investment decisions are based on clear informed information, address the long term risks faced by the Council and are affordable in the long term.

The Capital Strategy sets out the long term investment requirements arising from the Council Plan and other linked strategies, assesses the affordability of those plans and identifies the capital resources required to deliver those plans.

The Capital Strategy is a key document to ensure that capital investment decisions are taken in a planned way that allows the Council to achieve its key objectives whilst ensuring that the long term viability of the Council is not put at risk.



**Councillor Llinos Medi,
Council Leader**



**Dylan J. Williams,
Chief Executive**

Why Do We Need a Capital Strategy?

- CIPFA Prudential Code sets out a requirement that all local authorities must produce a capital strategy.
- Ideally, the Strategy should cover 10 to 15 years, but the current funding uncertainty does not allow for the development of such a long term plan.
- Ensures authorities take capital and investment decisions that properly take account of:-
 - Stewardship;
 - Value for Money;
 - Prudence;
 - Sustainability;
 - Affordability.
- Contributes to compliance with the Well Being of Future Generations (Wales) Act 2015.

Purpose of the Capital Strategy?

- It is crucial when long-term investment decisions are undertaken, that decision-makers can rely on clear and informed information. This includes:-
 - A long term view of capital expenditure plans and any financial risks to which the Council is exposed;
 - Ensuring due regard to the long-term financing affordability implications and potential risks;
 - A clear overview of the Council's asset management planning arrangements and any maintenance requirements that have resources and business planning implications.
- The Capital Strategy looks at what new assets or improvements to assets, such as Council buildings, schools, houses, social care facilities and leisure facilities are needed to help the Council deliver its strategic objectives along with its many statutory obligations.
- Through this plan, we intend to ensure appropriate levels of capital expenditure and investment to meet these priorities and objectives, whilst ensuring that our plans are affordable, prudent and sustainable.

Capital Expenditure 2019/20 – 2023/24

	2019/20 £'m	2020/21 £'m	2021/22 £'m	2022/23 £'m	2023/24 (Forecast) £'m
Maintaining Existing Assets	5.419	6.934	6.865	9.139	8.173
Sustainable Communities for Learning	0.316	0.951	4.507	6.317	7.080
Improvements to Leisure Facilities	0.119	0.123	0.211	0.336	0.718
Waste Management	0.180	3.213	2.270	0.213	0.110
Achieving Net Zero	0.000	0.052	1.742	1.372	2.947
Flood Defence Programme	3.140	1.481	1.194	2.491	1.092
EU Grant Funded Projects	2.224	2.563	1.361	4.511	3.270
UK / Welsh Government Grant Funded Projects	3.490	3.419	3.590	2.119	8.825
Schools IT Infrastructure / Equipment	1.088	0.596	0.603	0.341	0.113
Investment Properties	0.115	0.091	0.253	0.242	0.000
Other Grant Funded Projects	2.114	1.084	1.140	2.429	0.000
Housing Revenue Account	11.812	12.623	9.723	11.180	20.529
TOTAL EXPENDITURE	30.013	33.129	33.457	40.690	52.857

Council Plan 2023-2028

The Council Plan's vision is to:-

'Create an Anglesey that is healthy and prosperous where people can thrive.'

The Council Plan is the key document serving as a focal point for decision-making at all levels; providing a framework to plan and drive forward priorities; shape annual spending; monitor performance and progress.

At its core, is our desire to work with Anglesey residents, communities and partners to ensure the best possible services, improve the quality of life for all and create opportunities for future generations.

Its six main objectives reflect the key areas the Council should be focusing its efforts on.

Our six strategic objectives



The Welsh Language

Increasing opportunities to learn and use the language.



Social Care and Wellbeing

Providing the right support at the right time.



Education

Ensuring an effective provision for today and for future generations.



Housing

Ensuring that everyone has the right to call somewhere home.



Economy

Promoting opportunities to develop the Island's economy.



Climate Change

Responding to the crisis, tackling change and working towards becoming a net zero organisation by 2030.



[Council Plan 2023-2028](#)

Council Plan 2023-2028

The Council Plan 2023-28 is underpinned by the organisation's core values, which are used to develop and guide the vision, strategic plans and services.

Values



Respect

We are respectful and considerate towards others regardless of our differences.



Honesty

We are committed to high standards of conduct and integrity.



Collaborate

We work best as a team, with our communities and partners to deliver the best outcomes for the people of Anglesey.



Champion the council and the island

We create a sense of pride in working for the council and present a positive image of the council on the council and the island.

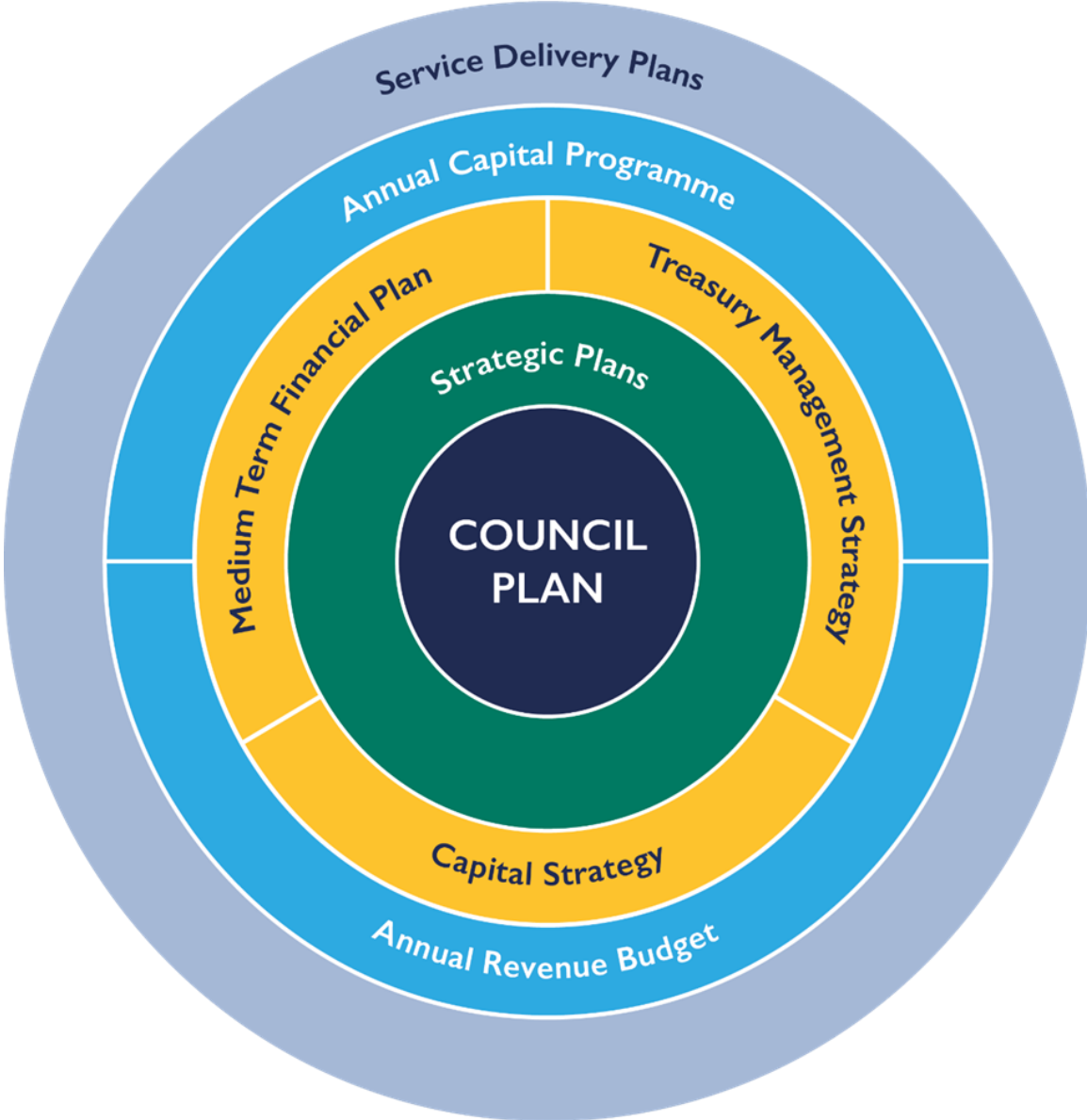


[Council Plan 2023-2028](#)

Strategic Circle

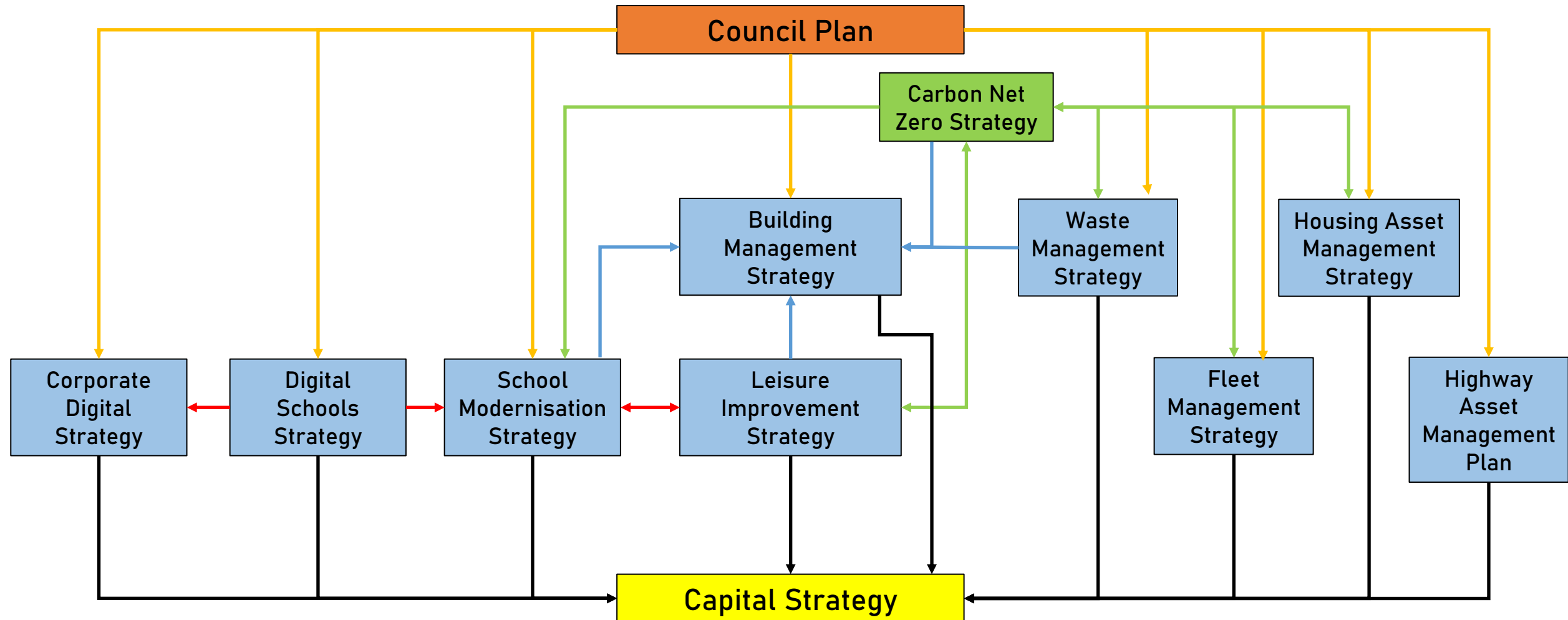
The strategic circle identifies the plans in place to ensure we are able to achieve our priorities and objectives.

This plan is a key strategic plan that aligns with the Council's Plan and contributes to the achievement of the strategic objectives and vision.



[Council Plan 2023-2028](#)

Relationship between the Council's Plans and Strategies



• The Council Plan and key Operational Plans

- The key strategies and plans below are important and inter-related to help identify an affordable level of revenue and capital resources needed to deliver the key priorities of the Council Plan and key operational plans. These also provide a framework for robust financial management of Council resources.

The Medium Term Financial Plan (MTFP)

This is revised regularly to help set out the likely resource requirement for the next three years and how the Council plans to balance the resource requirement. This includes the impact of revenue and capital issues on the Council Fund.

Capital Strategy

The Capital Strategy sets out the key priorities on how capital expenditure should be spent to help deliver the Council Plan 2023/28. It acknowledges that capital expenditure leads to revenue capital financing costs which must be kept affordable. The Capital Strategy impacts on, and is impacted by, the MTFP, the TMSS, the Annual Revenue Budget and the Annual Capital Programme.

Treasury Management Strategy (TMS)

This sets out the Annual Investment Strategy, Minimum Revenue Provisions Policy and Treasury Management Policy Statement for the year. These provide the framework and controls needed to ensure that there is enough cash to pay suppliers for revenue and capital costs, that surplus cash is invested safely and is accessible and that borrowing to fund capital expenditure does not go beyond an affordable level.

The Annual Revenue Budget is supported by the MTFP, Capital Strategy and TMS - Each year, the revenue capital financing costs are reviewed and revised as part of revenue budget setting. Revenue contributions are sometimes used to fund capital costs.

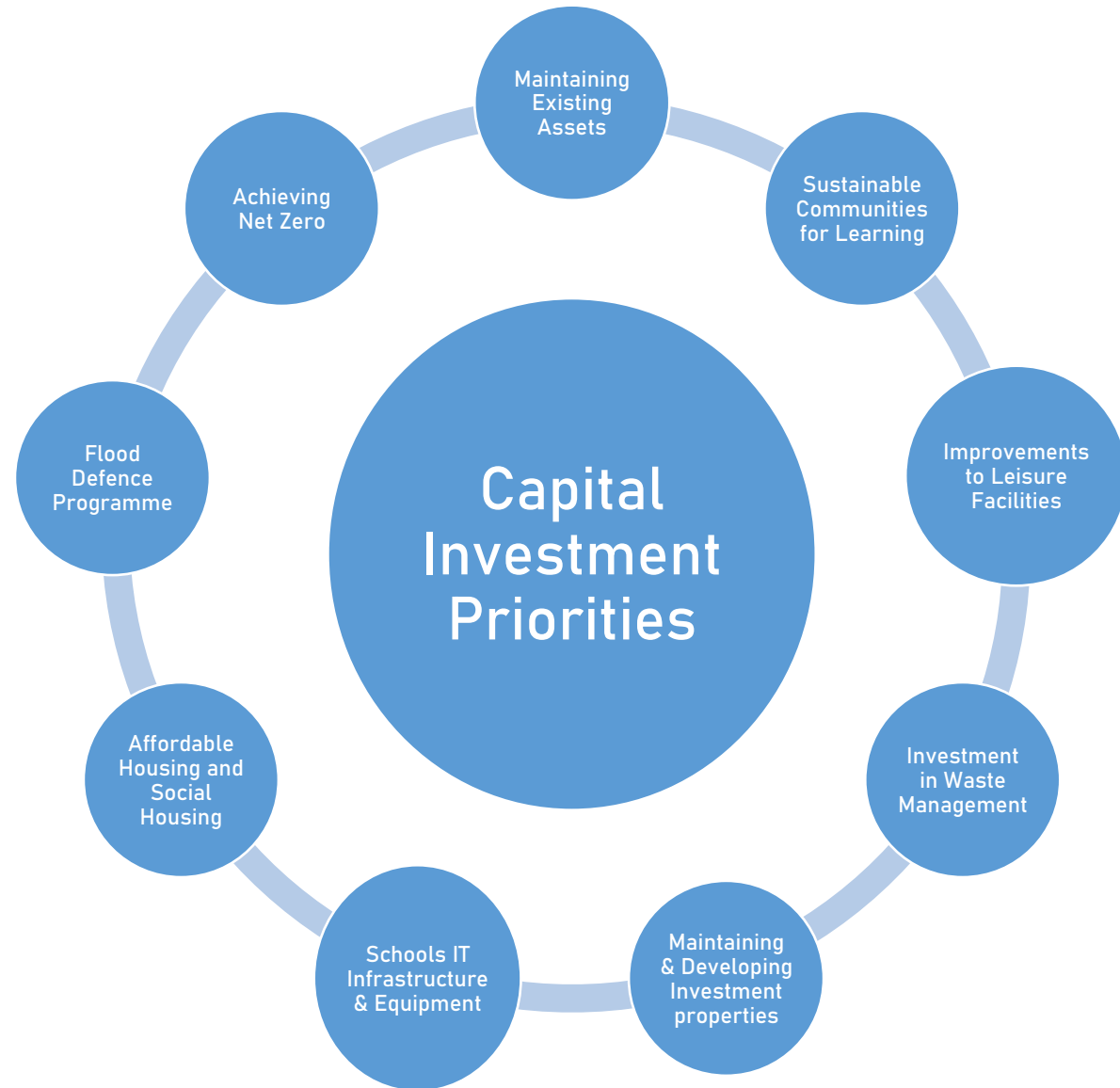
The Annual Capital Programme - The level of capital expenditure and borrowing impacts on the revenue budget due to capital financing costs and any ongoing revenue costs, such as maintenance.

Key priority areas

Delivering the strategic priority, together with key priority areas, sets a clear and ambitious mandate.

We want to ensure that we:-

- Secure sufficient funding to invest in the capital investment priorities;
- Capital assets are maintained and continue to allow services to be provided;
- The Council's strategy is sufficiently flexible to meet emerging needs and takes advantage of funding opportunities as they arise.



Principles and Objectives to Support Achievement of the Key Priorities

- Capital projects must relate to assets which help the Council achieve its key objectives, outlined in the Council Plan, and key operational strategies and statutory responsibilities.
- Each year when reviewing this strategy and developing the annual Capital Programme, the Council must take into account stewardship, value for money, prudence, sustainability and affordability.
- Sustainable Communities for Learning Programme will be prioritised within the Capital Programme.
- Capital Receipts from the Sale of Surplus Schools will be used as funding for the Sustainable Communities for Learning Programme (as set out in the Final Business Case) or as general capital funding.
- Receipts from the sale of Council smallholdings may be re-invested in the estate, if other spending priorities allow.
- An annual sum will be allocated to maintain or replace the Council's existing assets – Council Buildings, I.T. Equipment, Vehicles, Road Network.
- The Council will aim to utilise capital funding to transform and modernise service provision.
- Any new project that requires match funding to draw down grant funding will be assessed on a case by case basis by the Director of Function (Resources) / Section 151 Officer. The assessment will consider the level of grant funding, does the project fit into the Council's corporate priorities, the implications for the revenue budget and the ratio of match funding to grant funding.
- Capital projects must have regard to the net zero carbon targets and must use clean alternatives where, traditionally, carbon generating equipment / facilities / assets have been used.
- The Council will continue to work with its strategic partners and is committed to working as part of the North Wales Economic Ambition Board to deliver capital projects across North Wales.
- Unsupported Borrowing will be considered if the annual capital financing requirements are affordable and maintain an acceptable ratio of capital financing costs to net revenue expenditure.
- The timing of external borrowing will take place in line with the Council's Treasury Management Strategy in order to maintain sufficient cash balances but to minimise capital financing charges.

Capital Programme Funding Sources

Type of Funding	Source	Restrictions on Use	Revenue Implications	Comments
General Capital Grant	Welsh Government	None	None	
Supported Borrowing	PWLB	None	MRP (based on asset life) & Interest (fixed for period of loan)	Revenue costs funded by Welsh Government through the settlement.
Unsupported Borrowing	PWLB	Must meet the requirements of the Prudential Code	MRP (based on asset life) & Interest (fixed for period of loan)	As full cost falls on the Council, any project funded through unsupported borrowing normally has to create additional income or revenue savings to meet the MRP and interest charges.
Communities for Learning (Grants & Borrowing)	Welsh Government & PWLB	As per approved business case	MRP (based on asset life) & Interest (fixed for period of loan)	WG fund 65% (67% through supported borrowing and 33% grant). Council funds 35% through unsupported borrowing and capital receipts.
Communities for Learning (Mutual Investment Model)	Welsh Government	As per approved business case	Annual revenue charge paid to MIM Company for 25 years	92% of revenue cost funded by Welsh Government, remaining 8% falls as revenue cost on the Council.
Specific Grant Funding	Welsh Government, UK Government, Other Funders	As per grant conditions	None	Grant funding may require to fund a level of match funding.
Capital Receipts	Sale of Council Assets	None	None	Capital Receipts must be used to fund capital expenditure or repay existing loans.
Council Reserves	Council	None	None	
Contributions from revenue budget	Council	None	None	
HRA Reserves	Council	HRA Capital expenditure only	None	

Current Council Assets

Type of Asset	Number	Type of Asset	Number	Type of Asset	Number
Primary Schools	39	Youth Clubs	1	Carriageway	1,188 km
Secondary Schools	5	Business Units	68	Footway	661 km
Canolfan Addysg y Bont	1	Retail Sites	20	Cycleways	211 km
Offices	2	Community Centres	8	Structures	539
Museums and Archives	2	Other Educational Establishments	3	Lighting	20,014 lights
Libraries	7	Sundry Property	8	Drainage	28,064
Residential Care Homes	5	Ports and Piers	7	Non Illuminated Signs	7,629
Children's Care Homes (Cartrefi Clyd)	3	Moorings	468	Other Highway Assets	9,239
Day Care Centres	4	Housing Stock	3,979 units		
Leisure Centres	4	Occupied Land	Various		
Public Conveniences	22	Parks & Open Spaces	47		
Smallholdings	75	Vehicles	200		

Maintaining Existing Assets

- Ensuring Schools meet future educational requirements - £230m
- Backlog maintenance – Council Offices - £0.5m
- Backlog maintenance – Leisure Centres - £7m
- Backlog maintenance – Social Care Buildings - £2.4m
- Backlog maintenance – Business Units - £0.3m
- Backlog maintenance – Smallholdings - £0.5m
- Backlog maintenance – Libraries, Archives & Museums - £0.3m
- Backlog maintenance – Public Conveniences - £0.1m
- Annual Road Maintenance Requirement - £2m - £2.5m to maintain existing road condition
- I.T. Equipment – Replace existing hardware every 3 to 10 years
- Vehicles – Replace existing vehicles every 5 – 7 years – need to move to carbon neutral fuel source
- Disabled Facilities Grant – Budget requirement of £750k per annum

Maintaining existing assets

Why is this important?

- Maintaining existing assets to a condition that allows them to be operational is key to ensure that services can continue to be delivered.
- To invest / upgrade and replace existing assets and to begin to clear backlog maintenance would require capital expenditure in excess of £10m per annum. This is a level that is beyond the current level of funding and investment will need to be prioritised.
- Investment in IT assets allows the Council to maintain its IT hardware, which supports front line service delivery.



What are we going to do?

- Each year, capital funding will be allocated to ensure an investment in existing assets to protect them into the future.
- Capital funding will be prioritised on assets required to help the Council deliver its statutory responsibilities.
- An annual sum will be allocated to maintain or replace the Council's existing assets – Council Buildings, I.T. Equipment, Vehicles.
- The current strategy is to use the General Capital Grant and Supported Borrowing.
- Funding the remainder would require a significant level of unsupported borrowing, which in turn would generate an MRP and interest charge in the region of £750k per annum.
- In the longer term, the number of retained assets will be assessed in terms of future service needs.

How are we going to do this?

- Aim to fund at the following level:-
 - Education Buildings - £1.0m
 - Other Council Buildings - £0.6m
 - Highway Maintenance - £2.0m
 - Vehicles - £0.3m
 - IT Equipment - £0.3m
 - Disabled Facilities Grants - £0.75m
- These funding levels are dependent on the funding available and other funding priorities, but set out the minimum requirement.
- This totals £4.95m, with the additional budget being funded from unsupported borrowing, capital receipts and contributions from revenue budgets.
- The Council will maximise external capital funding wherever possible and affordable.

Sustainable Communities for Learning

Why is this important?

- This is a substantial programme which will result in Sustainable Communities for Learning capital school improvements or new builds into the long term.
- The Council remains committed to the Programme and will continue to fully utilise Sustainable Communities for Learning external funding.



What are we going to do?

- The Council is currently drawing up the Sustainable Communities for Learning strategic outline programme, which sets out the Council's investment priorities over the next 9 years.
- The plan will concentrate on the improvement / replacement of the Council's 5 secondary schools.
- Funding will continue to come in the form of a mixture of Welsh Government grants and supported borrowing (65% of the cost) and unsupported borrowing and capital receipts (35% of the cost).

How are we going to do this?

- Capital Receipts from the Sale of Surplus Schools will be used as funding for the Sustainable Communities for Learning Programme.
- The replacement of a secondary school would be in the region of £70m, and this is likely to utilise the majority of the Welsh Government funding available.
- The Council will continue to explore the potential of using the Welsh Government's Mutual Investment Model (MIM) to fund the cost of replacing one school building.
- Any new scheme is unlikely to commence until 2026/27.



Improvements to Leisure Facilities

Why is this important?

- Leisure Centres provide an important service to Anglesey residents which contributes to their health and wellbeing.
- 3 of the Council's 4 Leisure Centres are approximately 50 years old and require significant investment to maintain the building and to upgrade the facilities.
- The estimated cost would be in the region of £40m to £50m, which the Council cannot fund in isolation.

What are we going to do?

- The Council will continue to maintain the buildings so that they can continue to operate over the short to medium term, with the objective of continuing to operate the 4 centres.
- The Council will assess the long term future of the 4 centres, linking the decision to the needs of communities, the Sustainable Communities for Learning programme and the funding available.

How are we going to do this?

- The long term strategy will be to work to obtain grant funding to undertake refurbishment or the rebuilding of the Centres.
- The Council has around £1.5m of earmarked reserves (generated from a VAT refund and the sale of the Llangefni Golf Course) to utilise to maintain and upgrade Plas Arthur Leisure Centre and to use as match funding for external grant funding, should any opportunities arise.



Waste Management

Why is this important?

- The Council must maintain safe 'business as usual' services and comply with future changes in legislation / meet targets e.g. the 70% of household waste recycling target.
- The estimated cost of the capital investment over the next 5 years is £8.8m, which is made up of:-
 - Business as usual asset renewal - £2.9m;
 - Recycling / waste collection service changes to meet targets - £1.1m (with further investment required in a new fleet after 8 years of the existing contract);
 - Infrastructure changes to support service changes to meet statutory targets - £2.0m;
 - Decarbonisation of fleet and plant equipment - £2.8m.

What are we going to do?

- The Council's newly adopted Resources & Recycling Strategic Plan sets out four key priorities to ensure 'business as usual' services are maintained and improved to meet future legal requirements / targets. The Council is working with several stakeholders to improve recycling rates to meet statutory targets, but this will require investment in the existing recycling centres, plant, machinery and vehicles.

How are we going to do this?

- The Council has no funding identified for this investment and it would have to be delivered through unsupported borrowing and any grant funding that can be secured.



Achieving Net Zero

Why is this important?

- The Welsh Government has set a target for the Council to achieve net zero by 2030.
- Capital projects must have regard to the net zero carbon targets.



What are we going to do?

- Achieving the target of net zero will require considerable investment in:-
 - Council Buildings - to reduce energy consumption and to change to carbon neutral energy sources;
 - Vehicles – to transfer away from petrol and diesel vehicles;
 - Council Houses – to convert all properties to be carbon neutral wherever possible / viable;
 - Sustainable travel;
 - Developing electronic vehicle charging infrastructure;
 - Improving biodiversity on Council land;
 - Ensuring that all new buildings are designed to be carbon neutral.

How are we going to do this?

- The capital investment required will be significant, and the Council has no core funding to deliver this objective.
- The strategy will be to develop projects and to bid for grant funding which can deliver projects as and when grant funding is received.
- The Housing Revenue Account will provide funding to move towards making the Council housing stock carbon neutral.



Flood defence programme

Why is this important?

- The Council has identified a number of areas where flood defences need to be improved.

What are we going to do?

- Welsh Government currently fund 85% of the capital cost of flood defence work by means of grant. The remaining 15% is provided by the Council.
- The Council estimates that around £2m per annum is required to be invested in flood defence work over the next 5 years. This requires the Council to provide match funding of £300k per annum.
- Given the significant grant funding that can be drawn down through the allocation of match funding, the strategy will continue to prioritise the allocation of match funding in the capital programme.

How are we going to do this?

- Prioritise the allocation of match funding in order to maximise the grant drawn down from Welsh Government.
- Prioritise expenditure on the schemes that safeguard the greatest number of properties per pound of expenditure.



UK Government Grant Funding

Why is this important?

- To ensure that Anglesey continues to benefit from grant funding available from the UK and Welsh Government that has replaced EU grant funding.
- To ensure that investment continues to be made in projects that benefit the residents and communities on Anglesey.



What are we going to do?

- The UK Government has replaced previous EU grant funding with additional regional and local grant funding – currently Levelling Up Fund, Shared Prosperity Fund and the North Wales Growth Bid.
- The Council will continue to work with regional and local partners to bid for funding to undertake projects which improves local infrastructure and the local economy.

How are we going to do this?

- The use of the Council's own reserves as match funding will be assessed on a case by case basis, taking into account the importance of the project for Anglesey and North Wales, the potential benefits arising from completion of the project and the balance of match funding to grant funding.
- Apart from the existing commitments, no new match funding commitments have been made for the period 2024 to 2028.



Schools IT infrastructure and Equipment

Why is this important?

- The way that schools deliver education has changed with IT playing a greater role in delivering education and in managing schools.
- Investment in IT infrastructure and equipment for pupils is vital to ensure that schools continue to improve and modernise how education is delivered.



What are we going to do?

- The Council has drawn down funding from Welsh Government through the HWB Grant scheme. This has allowed for the upgrading of IT infrastructure within schools and purchased devices for individual pupils.
- The condition of the HWB grant requires that the Council commits to replacing the equipment purchased by the grant when it reaches its useful life. This will require around £1.3m of expenditure in 2027/28, with significant further investment required in future years.
- The Council has earmarked reserves of £0.46m to fund some of the cost, and intended to make an annual contribution from the revenue budget each year to increase this reserve. However, the current financial restraints has meant that the contribution was stopped in 2023/24.

How are we going to do this?

- To develop a working service level agreement between stakeholders to fund required investment in future years.
- To look at alternative options for funding the required investment.



Investment properties

Why is this important?

- The Council retains a number of properties which are let on a commercial basis and generate an annual income for the Council. These include industrial units, office accommodation, retail units and smallholdings.
- These properties provide valuable accommodation to support local businesses and allow continued investment in the local economy.



What are we going to do?

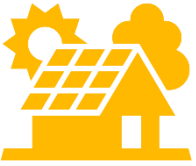
- The Council has followed a strategy of developing new units through grant funding, mainly from the European Union and Welsh Government. Examples of recent developments include new units at Penrhos, Holyhead, and units on the Bryn Cefni Industrial Estate.
- During 2010 to 2015, a number of smallholding properties were disposed of, and land merged to create larger more viable units. The capital receipts from the sale of properties was reinvested in upgrading the remaining properties. However, this source of funding is no longer available.

How are we going to do this?

- The Council's Asset Management Plan sets out the plan for individual asset types and estates and this will feed through to the capital budget.
- Any investment in these properties would have to be funded from the Council's core capital funding, any grant funding that becomes available or unsupported borrowing.



Social and Affordable Housing



Why is this important?

- The Council currently provides housing to around 4,000 tenants, which provides affordable accommodation to the most vulnerable residents of Anglesey.
- The need for low cost, quality affordable rental accommodation on Anglesey continues to rise. The Council needs to continue to invest in its existing stock and to increase its stock numbers to continue to meet the increasing demand.

What are we going to do?

- Continue to develop or repurchase 45 units a year and also invest in extra care provision, with a 40 bed unit planned to be opened in 2026/27.
- The Council also continues to invest in its existing stock to ensure that properties continue to maintain the WHQS standard, and that work on any properties not yet upgraded is undertaken when the property becomes available.

How are we going to do this?

- Utilise the financial assets of the Housing Revenue Account to fund the required investment.
- The Housing Revenue Account is a ring fenced account. The funding of capital expenditure is made through the annual surplus achieved on the revenue account, the Major Repair Allowance grant received from Welsh Government, existing HRA reserve balances and through unsupported borrowing.
- Any new development will only be undertaken if it passes 3 main financial tests. This ensures that any borrowing is affordable and can be funded from future rental income.
- The HRA 30 Year Business Plan estimates that £54m will be invested in the existing stock and £75m will be invested in the development of new properties over the next 5 years.
- The Business Plan has set a cap on borrowing of 6.5 times the rental income.



Capital Expenditure Summary 2024/25 to 2028/29

	Minimum £'m	Possible £'m	Maximum £'m
Maintenance of Existing Assets	21.88	30.98	48.77
Sustainable Communities for Learning	3.03	49.73	61.22
Improvements to Leisure Facilities	1.50	7.50	40.50
Waste Management	0.00	5.88	8.80
Achieving Net Zero	0.00	7.50	7.50
Flood Defence Programme	0.00	5.00	10.00
Schools IT Infrastructure / Equipment	0.46	1.55	1.55
Investment Properties	0.00	1.00	4.00
Levelling Up	7.81	7.81	7.81
Housing Revenue Account	64.13	129.50	129.50
TOTAL EXPENDITURE	98.81	246.45	319.65

- The minimum sum utilises the known secured funding. The maximum sum is the investment required to achieve all of the Council's objectives and bring all existing assets to an acceptable condition.
- The possible sum utilises a level of unsupported borrowing which may be affordable if, and when, the Council's revenue budget position improves.
- Grant funding, when secured, may also allow the Council to replace borrowing with grants and allow the Council's position to move from the Minimum to the Possible at a lower revenue cost, or allow the Council to move from the Possible to the Maximum position.
- Other grant funding may also be secured to undertake other projects and these will be added to the capital budget as and when the funding is secured and have, therefore, been omitted from this table.

Funding Capital Expenditure Summary 2024/25 to 2028/29

	Minimum £'m	Possible £'m	Maximum £'m
Supported Borrowing	10.79	10.79	10.79
General Capital Grant	11.09	11.09	11.09
Sustainable Communities for Learning – Supported Borrowing	0.00	5.58	15.74
Sustainable Communities for Learning – Unsupported Borrowing	2.85	7.33	10.45
Sustainable Communities for Learning – Welsh Government Grant	0.00	2.75	6.97
Mutual Investment Model Funding (MIM)	0.00	27.90	27.90
Other Welsh Government Grants	0.00	9.50	13.75
Capital Receipts	0.18	2.44	2.44
Earmarked Reserves	1.96	2.66	2.66
Levelling Up Funding	7.81	7.81	7.81
HRA Major Repairs Allowance	13.45	13.45	13.45
Other HRA Grants	8.69	8.69	8.69
HRA Reserves and Annual Surplus	41.99	41.99	41.99
Unsupported Borrowing – General Fund	0.00	29.11	80.56
Unsupported Borrowing - HRA	0.00	65.36	65.36
TOTAL FUNDING	98.81	246.45	319.65

Impact of Capital Expenditure on Capital Financing Requirement and External Borrowing

	Minimum		Possible		Maximum	
	CFR £'m	Borrowing £'m	CFR £'m	Borrowing £'m	CFR £'m	Borrowing £'m
2024/25	168.846	144.338	192.739	168.556	192.930	168.653
2025/26	169.728	145.859	213.849	190.934	226.245	203.099
2026/27	170.532	146.041	229.615	206.978	261.488	238.524
2027/28	171.252	145.438	253.443	230.945	302.795	279.706
2028/29	171.885	146.734	271.596	251.575	328.996	308.085

- The impact of the above on the Council's authorised limit and operational boundary are set out in the Council's Treasury Management Strategy.

Revenue Implications of Capital Expenditure – General Fund

	Estimated Net Revenue Expenditure £'m	Minimum		Possible		Maximum	
		MRP & Interest £'m	MRP & Interest to NRE %	MRP & Interest £'m	MRP & Interest to NRE %	MRP & Interest £'m	MRP & Interest to NRE %
2024/25	184.219	5.921	3.21	6.462	3.51	6.542	3.55
2025/26	189.746	6.068	3.20	6.979	3.68	7.437	3.92
2026/27	195.438	6.164	3.15	7.433	3.80	8.576	4.39
2027/28	201.301	6.212	3.09	8.289	4.12	9.869	4.90
2028/29	207.340	6.308	3.04	8.792	4.24	10.536	5.08

- The net revenue expenditure is assumed to increase by 3% per annum from 2025/26.
- MRP is calculated on the basis of the Council's current MRP Policy – see Treasury Management Strategy.
- The additional MRP and Interest costs would not be funded through the AEF and would require an increase in Council Tax to fund.
- Given that the Council has adopted the annuity method to calculate the MRP charge, the MRP charge increases annually, which places a greater pressure on Council Tax to fund the additional annual revenue costs.

Prioritising Capital Expenditure and Setting Annual Capital Budgets

- Annual budgets will be set to maintain existing assets and the budget will be dependent on the funding available through the General Capital Grant and Supported Borrowing.
- Services are invited to submit bids for funding for one off projects. Bids will be assessed in terms of :-
 - How they contribute to the objectives of the Council Plan;
 - Do they contribute to mitigating any of the Council's corporate risks;
 - The impact of the project on future capital investment;
 - The impact of the project on future revenue costs i.e. will it increase or decrease revenue costs;
 - Whether the project is partly funded by grant funding and what the level of grant funding will be.
- The Capital budget for the Communities for Learning programme and the Housing Revenue Account are drawn up outside of this process.

Monitoring and Managing Capital Expenditure and Borrowing

Capital Expenditure and the related borrowing is monitored and managed by the Council, as follows:-

- Treasury Management Strategy and Prudential Borrowing Indicators – Scrutinised by the Governance & Audit Committee, proposed by the Executive and approved by the full Council;
- Half yearly and annual treasury management reports to Governance & Audit Committee, Executive and full Council;
- Quarterly Capital Expenditure Monitoring reports to the Executive and the Finance Scrutiny Panel.
- Annual Capital Budget proposed by the Executive, and approved by the full Council.

Responsibility for the Treasury Management function within the Council rests with the Director of Function (Resources) / Section 151 Officer, supported by qualified and experienced finance professionals, including the Accountancy Manager, Finance Manager and Capital Accountant.

The Council also employ Link Asset Services to provide specialist treasury management advice.

Elected Members and Lay Members of the Governance & Audit Committee receive regular treasury management training that allows them to undertake their duties.

Treasury Management Investment Strategy

The Council's Investment Strategy is set out in its Annual Treasury Management Strategy, but is summarised as follows:-

- Surplus cash is invested with financial institutions which hold the highest level of credit rating as set out in the Treasury Management Strategy.
- Investments are made applying the principles of security, liquidity and yield in that order. Investments are not made simply to maximise the investment return. Investments are reported on a quarterly basis through the Treasury Management update reports.
- Cash investments will not be funded through additional borrowing.
- The Council will hold minimum cash balances equivalent to the agreed level of general balances, which is currently 5% of the Council's net revenue expenditure budget, £9.5m for 2024/25.
- The Council owns a number of non-treasury management investments in the form of investment properties (retail properties, office and commercial units) which generate an annual rental income, although the income generated is not significant in terms of the Council's overall annual income. There is no intention to dispose of these properties in the foreseeable future.
- The Council will take advantage of any grant funding that may become available to develop more investment properties, but will not undertake any significant additional borrowing to achieve the development of additional units.

Risks in delivering the Capital Strategy and Capital Budget



Summary Conclusions

- The Council's capital requirement to modernise and upgrade existing assets and to deliver on its corporate priorities is in excess of £300m over the next 5 years, and the Council's ability to deliver is restricted by lack of central government unhypothecated funding.
- The Council's ability to undertake unsupported borrowing, in accordance with the requirements of the Prudential Code, is limited on the grounds of affordability, as it would place an unacceptable cost on future taxpayers.
- The minimum funding available through supported borrowing and the general capital grant is insufficient to fund the minimum required to maintain the Council's existing assets to a level that allows the safe and effective operation of those assets.
- To achieve its corporate objectives, the Council must secure additional grant funding, but this may not be sufficient to allow the Council to move towards achieving its objectives.
- To move from the minimum position, the Council must consider undertaking a limited amount of unsupported borrowing, but this must be at an affordable level, taking into account the current financial challenges the Council is facing.
- External factors, such as new or changing legislation, new performance levels or the need to avoid service failure, may accelerate the need to move from the minimum position sooner than is considered desirable or affordable.
- Additional capital investment can be avoided through asset rationalisation and extending the life of existing assets.
- Priority will be given to fund the projects which best achieve the Council's main priorities e.g. the sustainable communities for learning programme.
- Match funding will be provided where the project is mainly funded by external grants and where the project is in line with the Council's corporate objectives.
- The HRA projects will continue to be assessed separately from the Council Fund projects.