

Isle of Anglesey County Council Scrutiny Report

Committee:	Corporate Scrutiny Committee
Date:	18 February 2026
Subject:	Budget setting 2026/27 (capital)
Scrutiny Chair:	Councillor Jeff Evans

1. Who will be the portfolio holder presenting / leading the report?

Portfolio Holder	Role
Councillor Robin Williams	Portfolio holder for Finance, Corporate Business and Customer Experience
Service Officer (Supporting)	Role
Marc Jones	Head of Function (Resources) / Section 151 officer

2. Why the Scrutiny Committee is being asked to consider the matter

It is the Committee's responsibility, in accordance with its Terms of Reference, to assist the Council and the Executive Committee in analysing its budget and to provide assurance regarding the performance and provision of services in line with the budget.

3. Role of the Scrutiny Committee and recommendations

- For assurance
 For recommendation to the Executive
 For information

Recommendation: Agree on a formal response to be submitted to the Executive Committee on the Council's final capital budget for 2026/27 (using the key scrutiny themes in section 5 below)

4. How does the recommendation(s) contribute to the objectives of the Council's Plan?

Direct link with the Council Plan and strategic priorities. The Committee's consideration of the initial budget proposals for the next year will include how the proposals enable the Council to achieve the Council Plan as well as any specific risks.

5. Key scrutiny themes

1.

The following key questions are proposed for the Committee's considerations:

1. To what extent does the Committee support the proposed capital programme and the proposed plans, given the limited capital funding available in the General Fund?
2. How do the proposals enable the delivery of the Council's medium-term priorities as noted in the Council Plan, as well as balancing short-term pressures?
3. Are the proposals appropriate considering the principles of the Council's Capital Strategy?

6. Key points / summary

CONTEXT

1.1 Scrutiny of the budget setting process has developed and matured over recent years, laying the foundations for a better, more systematic process based on outcomes and good practice. In fact, the process allows for a more systematic approach to financial scrutiny, as an essential building block of sound financial management and governance.

1.2 Members will be aware that finance is critical to the services the Council delivers and that there are far reaching implications to financial issues facing us as a local authority – both in terms of the services being received by our citizens and also the level of Council Tax or fees and charges being levied. In the current economic climate, Members therefore need to be assured that the Council is making the most effective use of resources, in particular finances.

1.3 In considering their response to the budget proposals, members of the Corporate Scrutiny Committee will need to consider the proposals in terms of the longer-term financial position of the Council and the Council's objectives and priorities as set out in the Council Plan.

2. SETTING THE COUNCIL'S BUDGET FOR 2026/27

2.1 Attached is the report of the Director of Function (Resources) / Section 151 Officer on the final capital spending proposals for the 2026/27 budget which will be submitted to a meeting of the Executive on 24 February 2026.

The final recommendations will be presented to Full Council on 5th March, 2026.

3. FINANCIAL SCRUTINY – SETTING THE 2026/27 BUDGET

3.1 Financial scrutiny is much more than adding value to decisions taken by the Executive. It is about ensuring that there is proper scrutiny in the effective planning, delivery and follow up of key decisions impacting on taxpayers and local communities. Scrutiny should therefore:

- Provide effective challenge
- Hold decision makers to account; and
- Assist the Executive to develop a robust budget for the coming year.

4. RESOURCES SCRUTINY PANEL

4.1 The Resources Scrutiny Panel has been established to ensure the following key outcomes:

- Develop a model of working on finance matters focusing on a smaller group to enable Members to become more involved, develop a level of subject expertise, encourage good attendance and teamwork
- Forum to develop a group of members with the expertise and ownership to lead financial discussions at the Corporate Scrutiny Committee.

4.2 The Panel considered the final budget proposals at its last meeting (12 February 2026). A summary of the Panel’s deliberations will be presented verbally at the meeting by Cllr Geraint Bebb, chair of the Panel.

5. PUBLIC CONSULTATION PROCESS

5.1 There was consultation on the initial proposals with the Town and Community Councils Forum, the Older People’s Forum, and the Ynys Môn Schools Finance Forum.

6. KEY SCRUTINY ISSUES

6.1 The 2026/27 budget setting process provides an opportunity for Elected Members to consider and challenge the implications of the draft budget. Input has also been received via the Resources Scrutiny Panel who have given detailed consideration to the final draft budget proposals. At this stage in the process, the Corporate Scrutiny Committee is now requested to agree a formal response to the Executive on the Council’s final proposals for the 2026/27 revenue budget (using the key scrutiny questions in paragraph 5 above).

7. Impact assessments

7.1. Potential impacts on groups protected under the Equality Act 2010

Identify the need for any impact assessments later in the process of setting the budget for 2026/27

7.2. Potential impacts on those experiencing socio-economic disadvantage (strategic decisions)

Identify the need for any impact assessments later in the process of setting the budget for 2026/27

7.3. Potential effects on opportunities to use Welsh and not treat the language less favourably than English

Identify the need for any impact assessments later in the process of setting the budget for 2026/27

7.4. Potential impact on the Council's Net Zero Carbon target

Identify the need for any impact assessments later in the process of setting the budget for 2026/27

8. Financial implications

This report discusses the process for setting the Council's budget for 2026/27, which includes consideration of the initial draft proposals for revenue budgets.

9. Appendices

APPENDIX 1: Report of the Director of Function (Resources) on the proposed revenue budgets for 2026/27
APPENDIX 2: Capital Strategy 2024 - 29

10. Report author and background papers

Marc Jones, Head of Function (Resources) / Section 151 Officer

ISLE OF ANGLESEY COUNTY COUNCIL

Report to:	EXECUTIVE
Date:	24 FEBRUARY 2026
Subject:	CAPITAL BUDGET 2026/27
Portfolio Holder(s):	CLLR ROBIN WILLIAMS – DEPUTY LEADER & PORTFOLIO HOLDER – FINANCE & CORPORATE BUSINESS AND CUSTOMER EXPERIENCE
Head of Service / Director:	MARC JONES – DIRECTOR OF FUNCTION (RESOURCES) / SECTION 151 OFFICER
Report Author:	MARC JONES – DIRECTOR OF FUNCTION (RESOURCES) / SECTION 151 OFFICER
Tel:	01248 762601
E-mail:	rmjfi@ynysmon.gov.wales
Local Members:	n/a

A – Recommendation/s and reason/s

The Executive is required to propose a capital budget for 2026/27, which will be presented to the full Council for approval at its meeting on 5 March 2026.

RECOMMENDATIONS

To recommend to the full Council the following capital programme for 2026/27:-

	Ref	£'000
2025/26 Schemes Brought Forward – General Fund	Para 4.1	8,394
Refurbishment / Replacement of Assets	Para 4.2 & 4.3	6,937
Waste Infrastructure	Para 6.1	3,806
Menai Bridge Pier and Pontoons	Para 6.2	225
Plas Arthur Leisure Centre Refurbishment	Para 6.3	1,650
Pride in Place	Para 6.4	1,500
Housing Revenue Account	Para 7	31,572
Total Recommended Capital Programme 2026/27		54,084
Funded By:		
General Capital Grant		2,761
Supported Borrowing General		5,047
Communities for Learning Unsupported Borrowing		0
Capital Receipts Reserve		271
Earmarked Reserves		3,452
Welsh & UK Government Grants		10,044
Unsupported Borrowing – General Fund		937
HRA Revenue Account Surplus		5,418
HRA External Grants		17,291
HRA Unsupported Borrowing		8,863
2026/27 Total Capital Funding		54,084

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

5	Property	The capital programme has been drafted in consultation with the Chief Property and Asset Officer and the Head of Highways, Waste & Property.
6	Information Communication Technology (ICT)	The comments of the Head of ICT have been incorporated into the report.
7	Scrutiny	TBC
8	Local Members	Proposals applicable to all Members.
9	Any external bodies / other/s	Not applicable
F - Appendices:		
Appendix 1 – Report on the Capital Budget 2026/27 Appendix 2 – Final Proposed Capital Budget 2026/27		
FF - Background papers (please contact the author of the Report for any further information):		
Capital Strategy Report 2026 – 2031 – Executive 27 January 2026 Capital Budget 2025/26 – full Council 6 March 2025 Quarterly Capital Monitoring Reports 2025/26 – Executive - 23 September 2025, 25 November 2025, 24 February 2026		

1. INTRODUCTION

1.1. The Capital Budget for 2026/27, set out below, takes into account the principles set out in the Capital Strategy 2025 – 2030 which was approved by the Executive and the full Council in March 2025. The Capital Strategy has been updated to reflect the proposed capital budget for 2026/27, but the principles of the strategy remain unchanged.

2. PRINCIPLES OF THE CAPITAL STRATEGY

2.1. The Capital Strategy for 2025/26 was approved by the Executive and full Council, and has been updated for 2026/31 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 2026/27, which will be approved by the Executive and full Council in March 2026.

2.2. The current Capital Strategy sets out the following principles for the Council in determining its capital programme:-

- Each year, capital funding will be allocated to ensure an investment in existing assets to protect them into the future.
- The Council will maximise external capital funding wherever possible and affordable.
- Capital funding will also be prioritised on assets required to help the Council deliver its statutory responsibilities.
- The Council remains committed to the Communities for Learning Programme, and will continue to fully utilise Communities for Learning external funding.

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

- That the Communities for Learning programme is considered separately from the remainder of the general capital programme.
- That the replacement of existing and obsolete assets has the benefit of reducing revenue costs, and that the capital programme will allocate funding to replace or improve existing IT equipment, vehicles and Council buildings.
- It is a statutory requirement to offer disabled facilities grants, and that the capital programme will allocate funding annually to comply with this requirement.
- A sum will be allocated annually to fund road improvement works. The sum will depend on the amount required to achieve any minimum contract values, the level of external and internal funding available and an assessment of the state of repair of the Authority's roads.
- Projects that require match funding will be assessed on a case by case basis, with any decision to allocate funding being based on how the project fits into the Council's corporate priorities, any ongoing revenue implications and the ratio of Council funding to external funding.
- Projects funded from unsupported borrowing will only be undertaken if the reduction in revenue costs, or increased income generated, is sufficient to meet any additional capital financing costs.

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

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

3. FUNDING THE CAPITAL PROGRAMME 2026/27

3.1. The funds available to finance the capital programme for 2026/27 are shown in Table 1, below. It should be noted that the figures for the General Capital Grant and Supported Borrowing are based on the final Local Government settlement figures which was announced on 20 January 2026.

Table 1
Anticipated Capital Funding Available for 2026/27

Source of Funding	£'000	£'000
General Fund Capital Programme		
Schemes / Funding brought forward from 2025/26	7,457	
General Capital Grant 2025/26 Unused	426	
General Capital Grant 2026/27	2,761	
Supported Borrowing	3,668	
UK and Welsh Government Grants (secured)	5,306	
Capital Receipts Reserve	48	
Earmarked Reserves	1,909	
Funding for the General Capital Programme (Council Fund)		21,575
Housing Revenue Account (HRA)		
HRA - In-year Surplus	5,418	
Welsh Government Major Repairs Allowance & Other external grants	17,291	
Funding for HRA		22,709
Total Capital Funding 2026/27		44,284

3.2. The General Capital Funding received from Welsh Government (WG) for 2026/27 is £155k (3.15%) higher than the allocation for 2025/26. Although the increase is welcomed, it does not make up for the erosion in the value of the funding that has taken place due to inflation.

Although the Council does have unsold old schools, the capital receipts generated will have been allocated to fund the replacement school, e.g. Ysgol Llangaffo remains unsold, but the capital receipts from any future sale has been allocated as part of the funding for Ysgol Santes Dwynwen. The Council does hold a small number of assets which it wishes to dispose of, and there is a balance of capital receipts which have not been allocated to any particular scheme. Currently, £267k of capital receipts is available to fund capital expenditure in 2026/27, or in subsequent years.

3.3. In previous years, sums have also been held as earmarked reserves to fund individual projects. The Council continues to use reserves to balance the revenue budget, with £2.46m used in 2025/26 and £1.685m recommended to be used in 2026/27. Despite this, the level of general balances is still above the minimum recommended level of 5% of the net revenue budget. However, the amount of funds above this figure will not be certain until after the final accounts for 2025/26 are closed, but there is the potential to release some funding from general balances to support the capital programme in 2026/27.

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

4. PROPOSED CAPITAL PROGRAMME 2026/27

4.1. 2025/26 Schemes Carried Forward

The capital budget monitoring report to the end of quarter 3 of 2025/26 estimates that the capital programme will underspend by £9.849m, although the final position may change during the final quarter. Once the final position in respect of 2025/26 is known, this will be reported to the Executive, alongside a request to approve the carrying forward of funding from 2025/26 to 2026/27. The schemes which are likely to carry forward to 2026/27 are shown in Table 2, below:-

Table 2
2025/26 Schemes Brought Forward

2025/26 Schemes Brought Forward	2026/27 £'000
Maintenance of Schools	913
Maintenance of Other Council Buildings	447
Vehicles	120
Upgrade of Public Conveniences	280
Upgrade of Secondary School Toilets	43
Repairs and Maintenance – Menai Bridge Library	17
Repairs and Maintenance – Garreglwyd Residential Home	355
Repairs and Maintenance – Brwynog Residential Home	12
Repairs and Maintenance – Plas Mona Residential Home	20
Repairs and Maintenance – Hen Reithordy	35
Repairs and Maintenance – Gors Felen	215
Waste Management Investment Plan	816
Plas Arthur Leisure Centre	683
Amlwch Leisure Centre	74
David Hughes Leisure Centre	28
Crown Site, Holyhead - Redevelopment	816
Transforming Towns - Amlwch Marine Terminal	480
Transforming Towns - Place Making Grant	301
Holyhead Culture & Heritage Driven Transformation Project	2,500
Flood Relief Schemes (Match Funding)	239

2025/26 Schemes Brought Forward	2026/27 £'000
Total Schemes Brought Forward	8,394
Funded By	
Supported Borrowing – General Fund	1,379
Welsh Government Grants	1,597
UK Government Grants	2,683
Capital Receipts	223
Earmarked Reserves	1,117
DEFRA eEPR (Extended Producer Responsibility for Packaging) Grant	458
Unsupported Borrowing	937
Total Funding for Schemes Brought Forward	8,394

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 44 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 £900k has been allocated.
- **Refurbishment of Non School Buildings** – Due to insufficient funding over a number of years, the condition of the Council's buildings continue to deteriorate. Work is ongoing by the Property Services Team to update the cost of the backlog. £334k has been allocated from the core budget and the Executive may be requested to allocate additional funding from the Council's reserves, following the closure of accounts and when the exact cost of the backlog work is finalised.
- **Highways Resurfacing** – The Annual Status and Option Report confirms that an annual budget of £2.5m is required in order to sustain the Steady State (Preventative) condition of our roads. A budget below this required amount would inevitably result in less efficiency and reduced value for money, with additional costs to the Highway Authority, with more money being spent on emergency works and also the risk of increased third party claims being made against the Authority. A budget allocation of £1.7m has been provided for this work. However, the Local Government Borrowing Initiative allowed the Council to borrow an additional £2.153m in 2025/26 and £1.435m in 2026/27, with the borrowing costs funded by WG. This brings the total funding for Highways Resurfacing in 2026/27 to £3.135m.
- **Vehicles** – The Council is committed to becoming a carbon neutral organisation and, in order to achieve that commitment, the Council needs to reduce the number of petrol and diesel powered vehicles. However, achieving this within the current funding limitations will be challenging, and the Council will be reliant on additional grant funding, or will have to change from direct purchase to leasing in order to achieve the change. The Service will also continue with the programme of gritter replacement and upgrading the MCT (Môn Community Transport) fleet. In total, £550k has been allocated for vehicle replacement.

- **IT Assets** – Continued investment is required to maintain the Council's core infrastructure and to replace devices used by staff to access systems. £433k has been identified as the sum required to maintain the core infrastructure and to replace desktop devices. However, an additional expenditure programme of £426k is required in 2026/27 to fund the cost of infrastructure that requires urgent replacement.
- **IT Assets in Schools** – Significant investment has been made in upgrading IT assets in schools using WG funding (HWB). It will be necessary for the Council to fund the replacement of these assets when they reach the end of their useful lives. Although only a small amount of expenditure is required in 2025/26 (£259k), funds are allocated when available to build up a reserve to fund the significant expenditure, over £2m, which will be necessary in 2027/28. The balance of the fund at the beginning of 2026/27 is estimated at £983k, with a further £220k being added to the fund from the revenue budget in 2026/27. This will leave a balance of £944k at the end of the 2026/27 financial year.

4.3. Disabled Facilities Grants

The demand for major adaptations to enable disabled residents to continue to live at home continues to be high. Funding of £500k for adapting Council houses is included in the HRA planned maintenance budget, however, the Council must also fund work to private homes as well. The allocation remains at the same level as 2026/27, i.e. £900k.

5. COMMUNITIES FOR LEARNING PROGRAMME

- 5.1.** The Council's modernisation of the school estate, through WG's Communities for Learning programme, is now moving to the next phase and, as a result, no work is planned on any new schools in 2026/27. Work is ongoing to move ahead with the planned new secondary school for Holyhead, but no capital expenditure is planned for 2026/27.

6. OTHER PROJECTS

- 6.1.** Significant expenditure will be required over the medium term to upgrade the Council's waste facilities. This will not only allow ageing equipment to be replaced, but will also allow the facilities at both Penhesgyn and Gwalchmai to be upgraded to meet new legislative requirements and to allow the Council to meet WG's recycling targets. Work is ongoing to secure grant funding from WG to fund the majority of the investment. The Council began receiving funding through the UK Government's extended producer responsibility for packaging (eEPR) scheme in 2025/26, and this will continue in 2026/27. It is estimated that the Council will receive £2.395m of funding in 2026/27, and this funding is earmarked to fund essential investment in the waste infrastructure which will not be funded by WG grants. £3.806m has been allocated in the 2026/27 budget and this will utilise all of the eEPR funding. Any future level of expenditure will depend on the future level of eEPR funding and any WG grants that can be secured.
- 6.2.** Work is required to repair and improve the pier and pontoons at St George's Pier, Menai Bridge. This will allow for the continued use of the pier and pontoons. £225k has been allocated to the project.
- 6.3.** Work is planned to complete the refurbishment of Plas Arthur Leisure Centre, with the scheme resulting in the remodelling of the reception area, the creation of a soft play area, new fitness suite and meeting rooms. The total cost of the scheme is £2.333m, which will be funded from the income generated from the sale of the Llangefni Golf Course, a VAT refund received a number of years ago due to a change in the VAT classification of Leisure services, Shared Prosperity Grant funding and the Council's own reserves.

- 6.4.** The Council has received an allocation of £1.5m from the UK Government's Pride in Place Fund to be spent by March 2027. The funding is required to deliver short-term, visible improvements to community-valued places and spaces by March 2027, reflecting local pride and fostering economic growth. The Council will have full discretion to direct funding to projects and programmes deemed to have the most immediate impact. The UK Government expects a community-led approach to engagement, with input from local stakeholders. In order to deliver projects in the time available, part of the funding will be distributed to the 40 Town and Community Councils, with the remainder being spent on the Council's own projects. Work is ongoing to draw up the final list of projects which will be undertaken.

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 2026/27 will see the continued investment in the existing stock to ensure continued compliance with the WHQS standards, with £15.71m being invested.
- 7.2.** Planning work is ongoing to build a new extra care and residential care facility in Menai Bridge. £14.001m of expenditure is planned for 2026/27, with the project being funded through grant funding in 2026/27, but a mixture of grant funding and unsupported borrowing by the HRA in future years. The revenue costs of the borrowing will be funded from the additional income generated from letting the extra care flats and in the charges for the residential element of the project to Social Services.
- 7.3.** The Council continues to build new housing stock across the Island, with a number of projects planned for 2026/27. Each project is subject to a financial viability assessment and is only added to the programme if the assessment is positive and is authorised by the Executive under the agreed authorisation protocol. As a result, only £1.498m is included in the budget at this stage, but further projects may be added during the year, as they reach a point where the project can commence.
- 7.4.** The total planned investment for 2026/27 on maintaining the Council's existing stock is £15.710m. The programme will be funded from: the revenue surplus generated in 2026/27 (£5.418m), Unsupported Borrowing (£7.965m) and WG grants (£2.690m).
- 7.5.** The long term investment programme, and how it will be funded over the next 30 years, will be set out in the HRA business plan, which will be presented to the Executive in due course.
- 7.6.** A sum of £363k has been allocated to purchase replacement vehicles for the Housing Maintenance Unit which is funded from the in year surplus.

8. SUMMARY RECOMMENDED CAPITAL PROGRAMME 2026/27

8.1. The recommended capital programme for 2026/27 is summarised in Table 3, below, and analysed in further detail in Appendix 2:-

Table 3
Summary Recommended Capital Programme 2025/26

	Ref	£'000
2025/26 Schemes Brought Forward – General Fund		8,394
Refurbishment / Replacement of Assets		6,678
Waste Infrastructure		3,806
IT Equipment in Schools		259
Menai Bridge Pier		225
Plas Arthur Refurbishment – Phase 2		1,650
Pride in Place		1,500
Housing Revenue Account		31,572
Total Recommended Capital Programme 2026/27		54,084
Funded By:		
General Capital Grant		2,761
Supported Borrowing General		5,047
Communities for Learning Unsupported Borrowing		0,000
Capital Receipts Reserve		271
Earmarked Reserves		3,452
Welsh & UK Government Grants		10,044
Unsupported Borrowing – General Fund		937
HRA Revenue Account Surplus		5,418
HRA External Grants		17,291
HRA Unsupported Borrowing		8,863
2026/27 Total Capital Funding		54,084

APPENDIX 2

FINAL PROPOSED CAPITAL BUDGET 2026/27

Scheme	Budget £'000	External Grants £'000	General Capital Grant £'000	Supported Borrowing £'000	Unsupported Borrowing £'000	HRA Surplus £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000
2025/26 Committed schemes b/f								
Maintenance of Schools	913			913				
Maintenance of Other Council Buildings	447			169	119		159	
Vehicles	120			120				
Upgrade of Public Conveniences	280						100	180
Upgrade of Secondary School Toilets	43							43
Repairs and Maintenance – Menai Bridge Library	17			17				
Repairs and Maintenance – Garreglwyd Residential Home	355				355			
Repairs and Maintenance – Brwynog Residential Home	12			3	9			
Repairs and Maintenance – Plas Mona Residential Home	20			20				
Repairs and Maintenance – Hen Reithordy	35			35				
Repairs and Maintenance – Gors Felen	215				215			
Waste Management Investment Plan	816	458					358	
Plas Arthur Leisure Centre	683	183					500	
Amlwch Leisure Centre	74			74				
David Hughes Leisure Centre	28			28				
Crown Site, Holyhead - Redevelopment	816	816						
Transforming Towns - Amlwch Marine Terminal	480	480						
Transforming Towns - Place Making Grant	301	301						
Holyhead Culture & Heritage Driven Transformation Project	2,500	2,500						

Scheme	Budget £'000	External Grants £'000	General Capital Grant £'000	Supported Borrowing £'000	Unsupported Borrowing £'000	HRA Surplus £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000
Flood Relief Schemes (Match Funding)	239				239			
Total 2026/27 Committed Schemes	8,394	4,738	0	1,379	937	0	1,117	223
Refurbishment / Replacement of Assets								
Refurbishment of School Buildings	900			900				
Refurbishment of Council Building	334			334				
Vehicle Replacement	550		550					
IT Equipment Replacement - General	859			433			426	
IT Equipment Replacement - Schools	259						259	
Disabled Facilities Grants	900		900					
Highway Resurfacing	3,135		1,311	1,824				
Total Refurbishment / Replacement of Assets	6,937	0	2,761	3,491	0	0	685	0
Waste Infrastructure								
Plant and Recycling Centres Upgrades	3,806	3,806						
Total Waste Infrastructure	3,806	3,806	0	0	0	0	0	0
Other Projects								
Menai Bridge Pier & Pontoons	225			177				48
Plas Arthur Refurbishment – Phase 2	1,650						1,650	
Pride in Place	1,500	1,500						
	3,375	1,500	0	177	0	0	1,650	48
TOTAL GENERAL FUND	22,512	10,044	2,761	5,047	937	0	3,452	271

Scheme	Budget £'000	External Grants £'000	General Capital Grant £'000	Supported Borrowing £'000	Unsupported Borrowing £'000	HRA Surplus £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000
Housing Revenue Account								
WHQS Planned Maintenance Programme	15,710	2,690			7,965	5,055		
Extra Care Facility Menai Bridge	14,001	14,001						
New Developments	1,498	600			898			
Vehicle Replacement	363					363		
TOTAL HOUSING REVENUE ACCOUNT	31,572	17,291	0	0	8,863	5,418	0	0
TOTAL CAPITAL PROGRAMME 2026/27	54,084	27,335	2,761	5,047	9,800	5,418	3,452	271

Ynys Môn

THE ISLE OF

Anglesey



Capital Strategy

2026-2031



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 Gary Pritchard,
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 strategy, 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 2021/22 – 2025/26

	2021/22	2022/23	2023/24	2024/25	2025/26 (Forecast)
	£'m	£'m	£'m	£'m	£'m
Maintaining Existing Assets	6.865	9.139	5.678	10.114	8.944
Sustainable Communities for Learning	4.507	6.317	13.160	4.131	0.314
Improvements to Leisure Facilities	0.211	0.336	0.249	1.611	0.835
Waste Management	2.270	0.213	0.099	0.239	0.865
Achieving Net Zero	1.742	1.372	2.379	10.683	9.522
Flood Defence Programme	1.194	2.491	0.567	1.207	0.848
EU Grant Funded Projects	1.361	4.511	0.248	0.562	0.330
UK / Welsh Government (WG) Grant Funded Projects	3.590	2.119	3.085	8.512	10.639
Schools IT Infrastructure / Equipment	0.603	0.341	0.320	0.199	0.000
Investment Properties	0.253	0.242	2.835	0.000	0.814
Other Grant Funded Projects	1.140	2.429	2.148	0.000	0.000
Housing Revenue Account (HRA)	9.723	11.180	19.806	27.468	22.056
TOTAL EXPENDITURE	33.457	40.690	50.574	64.726	55.167

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.

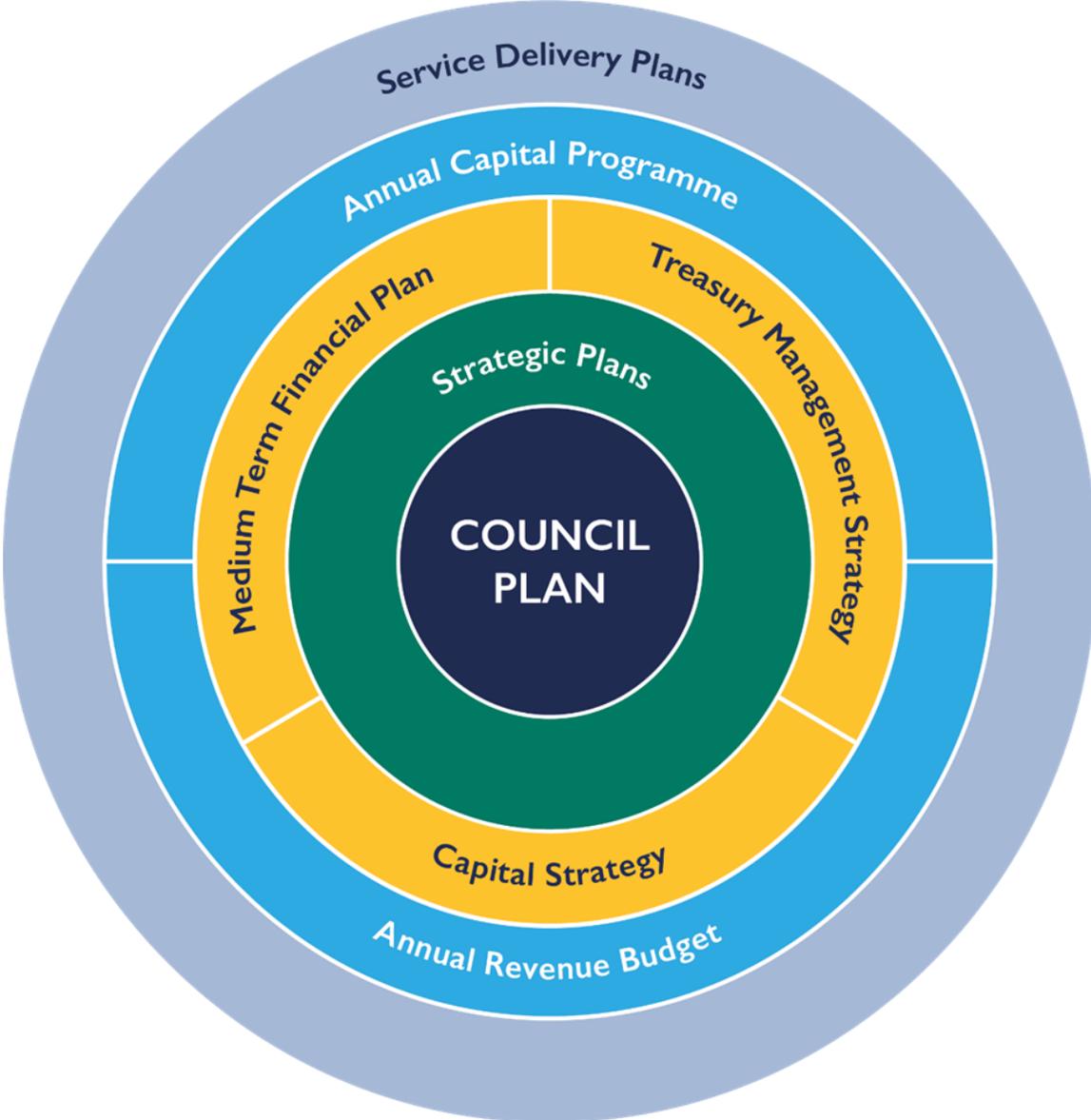


[Council Plan 2023-2028](#)

Strategic Circle

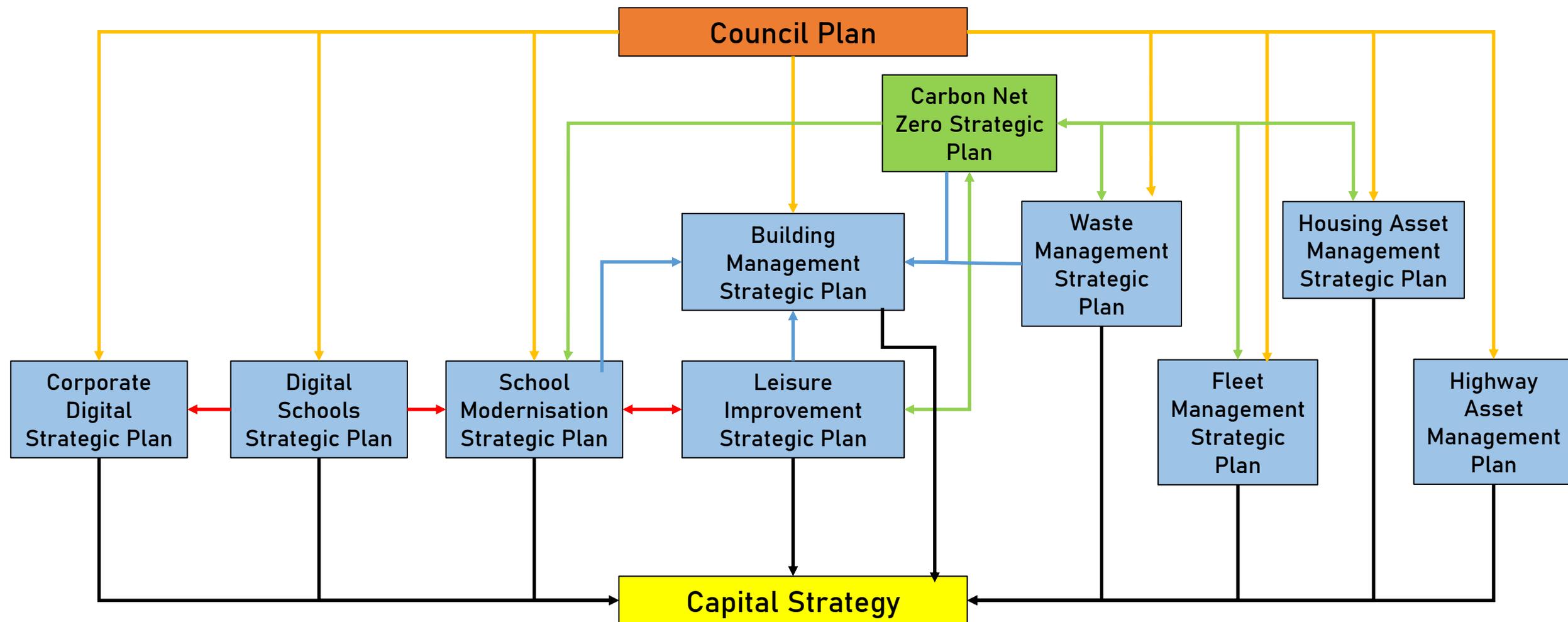
The strategic circle identifies the plans in place to ensure we are able to achieve our priorities and objectives.

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



[Council Plan 2023-2028](#)

Relationship between the Council's Plans and Strategic Plans



• 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

This 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 Statement (TMSS)

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 TMSS - 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.

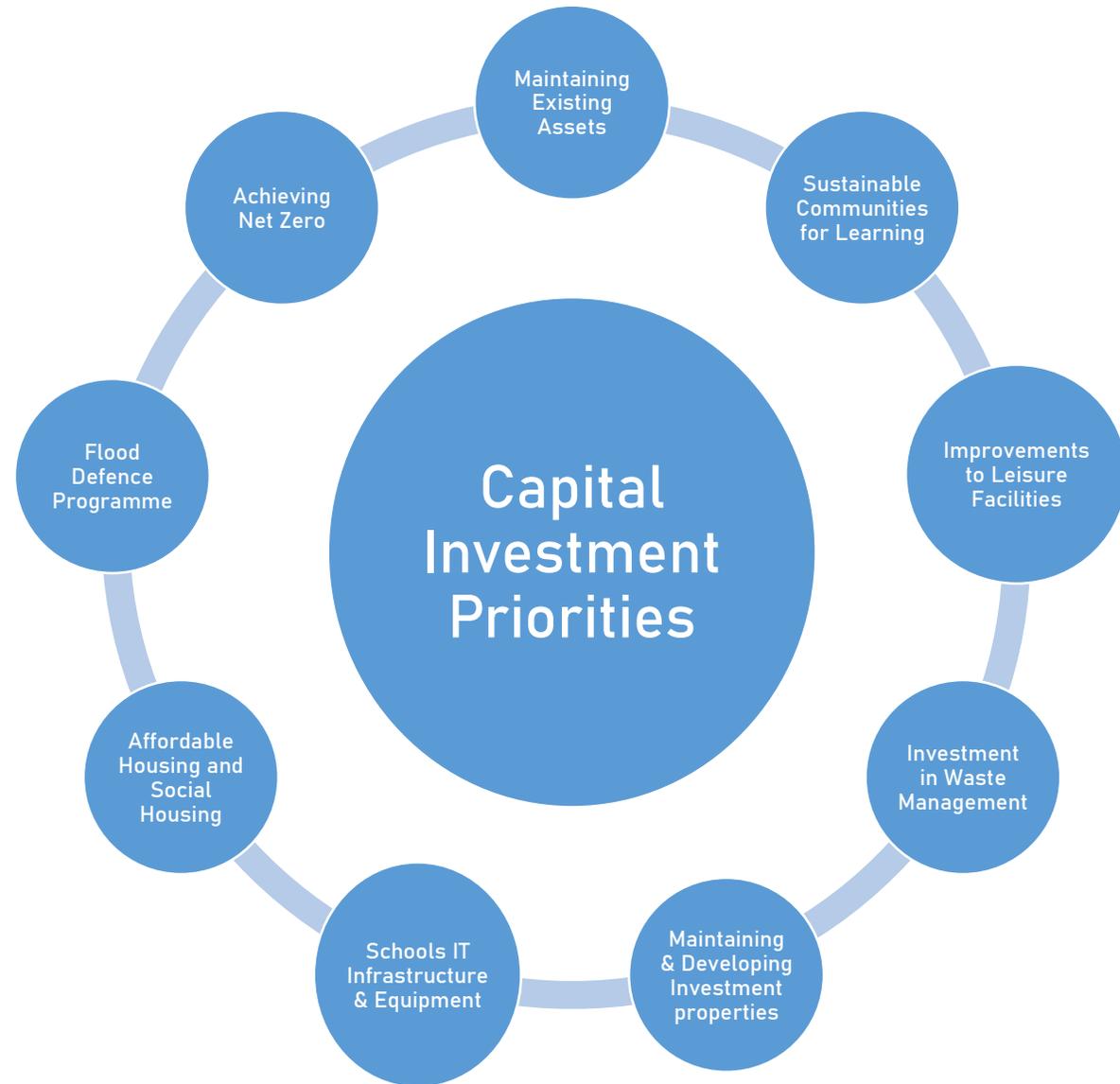
The Annual Capital Programme - The level of capital expenditure and borrowing impacts on the revenue budget due to capital financing costs and any ongoing revenue costs, such as maintenance.

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, IT 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 Statement 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 (Minimum Revenue Provision) (based on asset life) & Interest (fixed for period of loan)	Revenue costs funded by Welsh Government (WG) 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 - MIM)	Welsh Government	As per approved business case	Annual revenue charge paid to MIM Company for 25 years	92% of revenue cost funded by WG, 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	38	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	3,980 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 - £180m
- Backlog maintenance – Council Offices - £2.5m
- Backlog maintenance – Leisure Centres - £8m
- Backlog maintenance – Social Care Buildings - £3.5m
- Backlog maintenance – Business Units - £0.5m
- Backlog maintenance – Smallholdings - £2.3m
- Backlog maintenance – Libraries, Archives & Museums - £0.5m
- Backlog maintenance – Public Conveniences - £1.4m
- 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 £900k per annum minimum

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, IT 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 - £0.5m
 - IT Equipment - £0.5m
 - Disabled Facilities Grants - £0.9m
- These funding levels are dependent on the funding available and other funding priorities, but set out the minimum requirement.
- This totals £5.5m, 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.

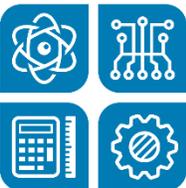


What are we going to do?

- 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 WG 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 WG funding available.
- The Council will continue to explore the potential of using the WG's Mutual Investment Model (MIM) to fund the cost of replacing one school building.
- Any new scheme is unlikely to commence until 2027/28.



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 buildings 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 already commenced the upgrade of Plas Arthur Leisure Centre, using £1.5m of earmarked reserves (generated from a VAT refund and the sale of the Llangefni Golf Course) to use as match funding for external grant funding.



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 6 years is £45.1m, which is made up of:-
 - Business as usual asset renewal, including replacement fleet - £11.0m;
 - Recycling / waste collection service changes to meet targets - £21.3m (with further investment required in additional fleet);
 - Infrastructure changes to support service changes to meet statutory targets - £4.7m;
 - Decarbonisation of fleet and plant equipment - £8.0m.

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 expect to receive around £8m from DEFRA through the Producer Extended Packaging Responsibility (pEPR) scheme, which will be used as direct funding or match funding to any grant funding that can be secured
- Any additional funding would have to be undertaken through unsupported borrowing.



Achieving Net Zero

Why is this important?

- WG has set a target for the Council to achieve net zero by 2030.
- The Council has recognised that achieving this target is not possible given the resources available and the time remaining.
- 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;
 - 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?

- WG 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 WG.
- 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 Deal.
- 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 2026 to 2030.



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.

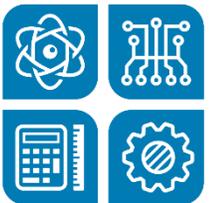


What are we going to do?

- The Council has drawn down funding from WG 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 £4.6m of expenditure by 2030/31, with significant further investment required in future years.
- The Council has earmarked reserves of £0.9m to fund some of the cost, and intended to make an annual contribution of £220k from the revenue budget each year to increase this reserve.

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 EU and WG. Examples of recent developments include new units at Penrhos, Holyhead, and units on the Bryn Cefni Industrial Estate.
- Seeking to develop new units in North Anglesey and Llangefni, with an estimated investment of £12m, with work ongoing to secure funding.
- 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 2030/31.
- 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 (HRA) to fund the required investment.
- The HRA 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 WG, 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 £67m will be invested in the existing stock and £60m 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 2026/27 to 2030/31

	Base Case £'m	Ambitious £'m	Ideal £'m
Maintenance of Existing Assets	32.45	41.06	59.20
Sustainable Communities for Learning	0.00	96.70	96.70
Improvements to Leisure Facilities	2.15	18.15	22.15
Waste Management	8.69	15.43	44.22
Achieving Net Zero	0.00	4.00	10.00
Flood Defence Programme	0.03	4.03	8.03
Schools IT Infrastructure / Equipment	2.08	3.02	3.63
Investment Properties	12.65	12.65	18.65
Housing Revenue Account	101.27	159.53	164.59
TOTAL EXPENDITURE	159.32	354.57	427.17

- The Base Case utilises the known secured funding. The Ideal scenario is the investment required to achieve all of the Council's objectives and bring all existing assets to an acceptable condition.
- The Ambitious scenario 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 Base Case to the Ambitious at a lower revenue cost, or allow the Council to move from the Ambitious to the Ideal Scenario.
- 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 2026/27 to 2030/31

	Base Case £'m	Ambitious £'m	Ideal £'m
Supported Borrowing	12.21	12.21	12.21
General Capital Grant	13.96	13.96	13.96
Sustainable Communities for Learning – Supported Borrowing	0.00	8.19	8.19
Sustainable Communities for Learning – Unsupported Borrowing	0.00	4.03	4.03
Sustainable Communities for Learning – Welsh Government Grant	0.00	6.58	6.58
Mutual Investment Model Funding (MIM)	0.00	77.90	77.90
Other Welsh Government Grants	12.65	31.28	68.57
Waste Recycling Grants	7.70	7.70	7.70
Capital Receipts	0.00	0.80	0.80
Earmarked Reserves	4.85	4.98	5.04
Revenue Contributions – General Fund	6.08	7.29	7.88
HRA Major Repairs Allowance	13.46	13.46	13.46
Other HRA Grants	26.07	46.70	48.16
HRA Reserves and Annual Surplus	34.15	25.48	25.48
Unsupported Borrowing – General Fund	0.60	20.12	49.71
Unsupported Borrowing - HRA	27.59	73.89	77.50
TOTAL FUNDING	159.32	354.57	427.17

Impact of Capital Expenditure on Capital Financing Requirement (CFR) and External Borrowing

	Base Case		Ambitious		Ideal	
	CFR £'m	Borrowing £'m	CFR £'m	Borrowing £'m	CFR £'m	Borrowing £'m
2026/27	161.31	124.24	161.31	124.24	161.31	124.24
2027/28	180.69	144.92	182.90	147.17	184.24	148.54
2028/29	200.87	165.91	206.93	172.12	216.53	181.90
2029/30	210.93	175.22	225.03	194.37	241.59	211.40
2030/31	222.91	182.84	248.50	220.17	273.50	246.11

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

Revenue Implications of Capital Expenditure – General Fund

	Estimated Net Revenue Expenditure (NRE) £'m	Base Case		Ambitious		Ideal	
		MRP & Interest £'m	MRP & Interest to NRE %	MRP & Interest £'m	MRP & Interest to NRE %	MRP & Interest £'m	MRP & Interest to NRE %
2026/27	207.02	6.55	3.17%	6.55	3.17%	6.55	3.17%
2027/28	212.20	6.74	3.18%	6.90	3.25%	7.02	3.31%
2028/29	216.44	6.89	3.18%	7.30	3.37%	7.82	3.61%
2029/30	220.77	6.95	3.15%	7.87	3.56%	8.82	3.99%
2030/31	225.19	7.09	3.15%	8.70	3.86%	10.16	4.51%

- The net revenue expenditure is assumed to increase by 2.5% per annum from 2027/28, falling to 2% by 2028/29.
- MRP is calculated on the basis of the Council's current MRP Policy – see Treasury Management Strategy Statement.
- 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.

Revenue Implications of Capital Expenditure – Housing Revenue Account

	Base Case			Ambitious			Ideal		
	Estimated Net Rental Income (NRI) £'m	MRP & Interest £'m	MRP & Interest to NRI %	Estimated NRI £'m	MRP & Interest £'m	MRP & Interest to NRI %	Estimated NRI £'m	MRP & Interest £'m	MRP & Interest to NRI %
2026/27	24.06	2.38	9.88%	24.06	2.38	9.88%	24.04	2.38	9.88%
2027/28	25.22	3.58	14.17%	25.22	3.58	14.17%	25.30	3.55	14.04%
2028/29	26.75	4.78	17.68%	27.02	4.78	17.68%	27.11	4.88	18.00%
2029/30	27.31	5.28	19.35%	27.86	5.49	19.70%	27.97	5.63	20.12%
2030/31	28.41	5.75	20.24%	29.27	6.23	21.28%	29.38	6.39	21.74%

- The net rental income is as per the HRA Business Plan.
- MRP is calculated on the basis of the Council's current MRP Policy – see Treasury Management Strategy Statement.
- 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 budgets 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 Statement 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 Services Manager, Finance Manager and Capital Accountant.

The Council also employ MUFG Corporate Markets Treasury Limited 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 Statement, 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 Statement.
- 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, £10.35m for 2026/27.
- 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 £425m 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.

Appendix 1 – Expenditure Assumptions

Capital Budget Category	Funded By	Base Case £'m	Ambitious £'m	Ideal £'m
Maintenance of Assets - Schools	Supported Borrowing & General Capital Grant	Initial Budget of £900k increased by inflation	Initial Budget of £1.0m increased by inflation	Initial Budget of £1.0m increased by inflation
Maintenance of Assets – Other Council Buildings	Supported Borrowing & General Capital Grant	Initial Budget of £334k increased by inflation	Initial Budget of £600k increased by inflation	Initial Budget of £900k increased by inflation
Maintenance of Assets – Vehicles	Supported Borrowing & General Capital Grant	Initial Budget of £350k increased by inflation	Initial Budget of £550k increased by inflation	Initial Budget of £550k increased by inflation
Maintenance of Assets – IT Equipment	Supported Borrowing & General Capital Grant	Initial Budget of £433k increased by inflation	Initial Budget of £433k increased by inflation	Initial Budget of £500k increased by inflation
Highway Maintenance	Supported Borrowing & General Capital Grant	Initial Budget of £1.7m increased by inflation	Initial Budget of £2.0m increased by inflation	Initial Budget of £2.5m increased by inflation
Housing Grants & Loans	Council Tax Premium	Initial Budget of £1.0m increased by inflation	Initial Budget of £1.0m increased by inflation	Initial Budget of £1.0m increased by inflation
Disabled Facilities Grants	Supported Borrowing & General Capital Grant	Initial Budget of £900k increased by inflation	Initial Budget of £900k increased by inflation	Initial Budget of £1.0m increased by inflation
School Modernisation Programme	WG Grants & Supported Borrowing, Unsupported Borrowing, Mutual Investment Model (MIM)	No schemes	New Secondary School Holyhead. Refurbishment of Primary and Secondary Schools (as WG funding allows)	New Secondary School Holyhead. Refurbishment of Primary and Secondary Schools (as WG funding allows)
Schools IT Equipment Replacement	Contribution from Revenue Budget, School Balances and Earmarked Reserve	£1.4m in 2027/28 and £220k in each following year	£3.3m by 2030/31	£4.6m by 2030/31

Appendix 1 – Expenditure Assumptions

Capital Budget Category	Funded By	Base Case £'m	Ambitious £'m	Ideal £'m
Backlog Maintenance – Council Offices	Earmarked Reserves and Unsupported Borrowing	£230k from Earmarked Reserves in 2026/27	£230k from earmarked reserves in 26/27, £250k per annum after 26/27	£230k from earmarked reserves in 26/27, £250k per annum after 26/27
Backlog Maintenance – Social Services Homes and Day Centres	Unsupported Borrowing	£95k from Earmarked Reserves in 2026/27	£95k from Earmarked reserves in 26/27. £1.2m by 2030/31	£95k from Earmarked reserves in 26/27. £3.5m by 2030/31
Backlog Maintenance – Libraries, Archives & Oriel	Unsupported Borrowing	£0	£200k by 2030/31	£250k by 2030/31
Backlog Maintenance - Schools	Unsupported Borrowing	£0	£300k per annum	£2.6m per annum
Backlog Maintenance – Industrial & Business Units	Unsupported Borrowing	£0	£100k per annum for 5 years	£100k per annum for 5 years
Backlog Maintenance - Smallholdings	Revenue Surplus	£0	£100k per annum	£230k per annum
Gypsies & Travellers Site	100% WG Grant	£0	£1.2m by 2028/29	£1.2m by 2028/29
Public Transport Infrastructure	100% WG Grant	Dependant on grant funding	Dependant on grant funding	Dependant on grant funding
Public Conveniences	Earmarked Reserves and WG Grant	£280k from Earmarked Reserves	£280k from Earmarked Reserves	£280k from Earmarked Reserves and £100k per annum
Net Zero Carbon projects	WG Grant (90%) and Unsupported Borrowing	£0	£1m per annum	£2.5m per annum

Appendix 1 – Expenditure Assumptions

Capital Budget Category	Funded By	Base Case £'m	Ambitious £'m	Ideal £'m
Leisure Improvement Plan	Earmarked Reserves, Grant Funding and Unsupported Borrowing	Complete Plas Arthur Refurbishment. £2.15m by 2030/31	Complete Plas Arthur Refurbishment. One new Leisure Centre. £18.2m by 2030/31	Complete Plas Arthur Refurbishment. One new Leisure Centre and refurbishment of other 2. £22.0m by 2030/31
Economic Development Investment Plan	WG Grant and Unsupported Borrowing	Freeport Investment and North Anglesey project	Freeport Investment and North Anglesey project	Freeport Investment and North Anglesey project plus £8.0m for new projects
Waste Management Plan	DEFRA grant & WG grant (90%)	£8.7m by 2029/30	£15.4m by 2030/31	£44.2m by 2030/31
Flood Defence Schemes	85% WG Grant and Supported Borrowing	£30k match funding from Earmarked Reserves	£1.0m per annum	£2.0m per annum
HRA Planned Maintenance & WHQS	HRA Reserve, Revenue Surplus, Major Repairs Allowance & Unsupported Borrowing	£67.0m by 2030/31	£67.0m by 2030/31	£67.0m by 2030/31
HRA New Developments	Social Housing Grant, WG Grants & Unsupported Borrowing	Seiriol Extra Care Scheme & Other Committed Developments. £52.6m by 2030/31	Seiriol Extra Care Scheme & Other Planned Developments. £90.0m by 2030/31	Seiriol Extra Care Scheme & Other Planned Developments. £95.0m by 2030/31
HRA Vehicles	Unsupported Borrowing	Initial Budget of £361k increased by inflation	Initial Budget of £361k increased by inflation	Initial Budget of £361k increased by inflation