

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
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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 Refurbishment / Replacement of Assets	Para 4.1 Para 4.2 & 4.3	8,394 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