

AUDIT COMMITTEE

Date of Meeting	Wednesday 13 July 2016
Report Subject	Asset Disposal and Capital Receipts Generated 2015/16
Report Author	Chief Officer Organisational Change

EXECUTIVE SUMMARY

Total asset disposals in 2015/16 amounted to £1.695m, of which £0.550m was for general properties and £1.145m for agricultural estates.

The information in this report refers to Council Fund (CF) capital receipts only.

RECOMMENDATIONS

1	Members are requested to note the report.
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REPORT DETAILS

1.00	EXPLAINING THE ASSET DISPOSALS
1.01	Background
1.01.1	The Council's Capital Programme is set according to the Council's strategic objectives and priorities, ensuring that the Council's capital assets are aligned to current and future service delivery, operating in the most cost efficient way.
1.01.2	Capital expenditure creates revenue implications for the longer term in the form of running costs and loan repayments if that expenditure is funded from borrowing and must therefore be considered carefully within the wider strategic context.
1.01.3	In recent years the availability of capital resources has diminished with Welsh Government (WG) reducing the amount of support for capital expenditure that Councils receive. Capital receipts generated from asset disposals (assets and land) are therefore a key capital resource and are critical to the Council in supporting its overall strategic priorities.
1.01.4	Capital receipts, together with other sources of funding, are aggregated and applied to fund the capital programme as a whole regardless of where they have been generated or by which service and are not therefore ring-fenced to any particular scheme.
1.01.5	The Council has a rigorous process which it follows when assets are disposed of, with careful consideration given to the strategic long term future service needs and the assets needed to deliver those services. This consideration includes references to Business Plans, Improvement Plans and the Medium Term Financial Strategy.
1.01.6	In line with current Council Policy, capital receipts are only available to fund capital expenditure once they have been realised and the asset disposed of.
1.02	Considerations
1.02.1	Appendix 1 lists assets disposed of in financial years 2013/14 to 2015/16, by ward and within bands of the capital receipt value realised.

2.00	RESOURCE IMPLICATIONS
2.01	More details on the resource implications of capital receipts are in the Capital Programme Monitoring 2015/16 (Outturn) report to Cabinet on 19 July, 2016.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None as a result of this report.

4.00	RISK MANAGEMENT
4.01	Whilst the realisation of capital receipts continues to be a risk for the future funding of the capital programme, the information provided in this report is retrospective and therefore carries no risk.

5.00	APPENDICES
5.01	Appendix 1 – Capital Receipts 2013/14 – 2015/16.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Capital Programme 2015/16 monitoring papers. Contact Officer: Liz Thomas, Finance Manager – Technical Accounting Telephone: 01352 702289 E-mail: liz.thomas@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	<p>Capital Expenditure: Expenditure on the acquisition of Non-current Assets or expenditure that extends the life or value of an existing asset.</p> <p>Capital Programme - The Council's financial plan covering capital schemes and expenditure proposals for the current year and a number of future years. It also includes estimates of the capital resources available to finance the programme.</p> <p>Capital Receipt - Receipts (in excess of £10,000) from the disposal of an asset.</p> <p>Capital Scheme - An individual capital project which is monitored and managed in isolation. The aggregate of all schemes comprises the Capital Programme.</p> <p>Council Fund - The fund to which all the Council's revenue and capital expenditure is charged.</p> <p>Financing - The process of allocating resources to meet the cost of capital expenditure, which can be done on a project, asset or whole programme basis. This contrasts with making the invoice payments relating to capital expenditure, which should be managed within the authority's overall treasury management policy.</p>

Non-current Asset - A resource controlled (but not necessarily owned) by an authority, from which economic benefits or service potential are expected to flow to the authority for more than 12 months.

Unhypothecated Supported Borrowing (USB), commonly referred to as Supported Borrowing: Each year Welsh Government provide Council's with a Supported Borrowing allocation. Council's borrow to fund capital expenditure equivalent to that annual allocation, Welsh Government then include funding to cover the revenue costs associated with the borrowing for future years within the Revenue Support Grant. The Council decides how this funding is spent.

Unsupported Prudential Borrowing: Borrowing administered under the Prudential Code, whereby authorities can set their own policies on acceptable levels and types of borrowing. The Prudential Framework allows authorities to take out loans in response to overall cash flow forecasts and other factors provided they can show that the borrowing is to meet planned capital expenditure in the current year or the next three years.