

## AUDIT COMMITTEE

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| <b>Date of Meeting</b> | Wednesday 21 November 2018                            |
| <b>Report Subject</b>  | Asset Disposal and Capital Receipts Generated 2017/18 |
| <b>Report Author</b>   | Chief Officer (Housing and Assets)                    |

### EXECUTIVE SUMMARY

In relation to the report and attached information, this flows from interest received from Committee members previously in land disposals and the realisation of capital receipts.

Capital receipts arise when operational Council assets are declared surplus to requirements and are put forward for disposal, or where it is felt appropriate to dispose of assets from the non-operational estate.

Total asset disposals in 2017/18 amounted to £2.869m, of which £0.834m was from general properties and £2.035m from the agricultural estate. Corresponding figures for 2016/17 were £2.089m (£0.509m general, £1.580m agricultural estates).

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

### RECOMMENDATIONS

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| 1 | Members are requested to note the report. |
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## REPORT DETAILS

| 1.00 | EXPLAINING THE ASSET DISPOSALS  |
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| 1.01 | <p><b>Background</b></p> <p>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.</p>   |
| 1.02 | <p>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.</p>  |
| 1.03 | <p>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. For Flintshire this support has reduced from £10.364m in 2010/11 to £6.634m in 2017/18, a percentage reduction over this period of 36%. 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.</p> |
| 1.04 | <p>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 portfolio.</p>  |
| 1.05 | <p>When considering the disposal of an asset, its best and most valuable disposal method is considered with advice including a valuation sought from either the District Valuer or the private sector. When this has been received the optimum method of disposal is reported to the Capital and Asset Programme Board. Once support is received Agents are instructed to facilitate the sale.</p>  |
| 1.06 | <p>The Council's policy regarding the Agricultural Estate is to sell to existing tenants only, if occupied, or on the open market if already vacant.</p>  |
| 1.07 | <p>In line with current Council Policy, capital receipts are only available to fund capital expenditure once the asset has been disposed of and the receipt has been realised.</p>  |
|      | <p><b>Considerations</b></p>  |
| 1.08 | <p>In relation to the report and attached information, this flows from interest received from Committee members previously in land disposals and the realisation of capital receipts.</p>   |

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| 1.09 | Appendix 1 lists assets disposed of in financial years 2015/16 to 2017/18, by area and within bands of the capital receipt value realised. This layout is consistent with previous reports; more detailed reports regarding capital expenditure and capital schemes are reported at Corporate Resources Overview and Scrutiny Committee. |
| 1.10 | Sale proceeds for individual disposals are not included as they can be commercially sensitive, particularly if future disposals are being considered for similar assets.   |

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| <b>2.00</b> | <b>RESOURCE IMPLICATIONS</b>  |
| 2.01        | Further details on the resource implications of capital receipts can be found in the Capital Programme Monitoring 2017/18 (Outturn) report to Cabinet on 17 July, 2018. |

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| <b>3.00</b> | <b>CONSULTATIONS REQUIRED / CARRIED OUT</b> |
| 3.01        | None as a result of this report.            |

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| <b>4.00</b> | <b>RISK MANAGEMENT</b>   |
| 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 future risk.  |
| 4.02        | Asset disposals involve an element of risk, especially during times of property market volatility, however, 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. |

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| <b>5.00</b> | <b>APPENDICES</b>                               |
| 5.01        | Appendix 1 – Capital Receipts 2015/16 – 2017/18 |

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| <b>6.00</b> | <b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>  |
| 6.01        | <p>Capital Programme 2017/18 monitoring papers</p> <p><b>Contact Officer:</b> Paul Vaughan, Interim Finance Manager – Technical Accounting<br/> <b>Telephone:</b> 01352 702289<br/> <b>E-mail:</b> <a href="mailto:paul.vaughan@flintshire.gov.uk">paul.vaughan@flintshire.gov.uk</a></p> |

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| <b>7.00</b> | <b>GLOSSARY OF TERMS</b>   |
| 7.01        | <p><b>Capital Expenditure:</b> Expenditure on the acquisition of Non-current Assets or expenditure that extends the life or value of an existing asset</p> <p><b>Capital Programme</b> - 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><b>Capital Receipt</b> - Receipts (in excess of £10,000) from the disposal of an asset</p> <p><b>Capital Scheme</b> - An individual capital project which is monitored and managed in isolation. The aggregate of all schemes comprises the Capital Programme</p> <p><b>Council Fund</b> - The fund to which all the Council's revenue and capital expenditure is charged</p> <p><b>District Valuer</b> – The District Valuer is a member of staff within the District Valuer Services (DVS). The DVS is the specialist property arm of the Valuation Office Agency (VOA). It provides independent valuation and professional property advice to bodies across the entire public sector, and where public money or public functions are involved.</p> <p><b>Financing</b> - 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> <p><b>Non-current Asset</b> - 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</p> <p><b>Unhypothecated Supported Borrowing (USB), commonly referred to as Supported Borrowing:</b> 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</p> |

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| <p><b>Unsupported Prudential Borrowing:</b> 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</p> |
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