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**Report to Clackmannanshire Council**

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**Date of Meeting: 27 June 2013**

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**Subject: Draft Financial Statements 2012/13**

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**Report by: Director of Finance and Corporate Services**

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**1.0 Purpose**

- 1.1. The Council is required by law to prepare a statement of accounts in accordance with 'proper practices' which set out its financial position at the end of each financial year. This is defined as meaning compliance with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom prepared by the CIPFA/LASAAC Joint Committee.
- 1.2. The Code specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of the Council, including group financial statements where Councils have material interests in subsidiaries, associates or joint ventures. The financial statements aim to identify the key factors affecting the finances of the Council and that affect the physical resources that the Council can control to provide services.
- 1.3. The Local Authority Accounts (Scotland) 1985 Regulations require the Director of Finance and Corporate Services to prepare the Statement of Accounts as soon as practicable after the end of each financial year and to submit these to the Council and to the Controller of Audit by 30 June of the next financial year. The draft accounts continue to be finalised for audit and have been made available in advance of the Council meeting in councillors rooms and on the portal. In addition to this all elected members have had the opportunity to attend a specific briefing on the draft accounts on 24 June 2013.
- 1.4. It is not anticipated that the underlying outturn position outlined in this report will change.

**2.0 Recommendations**

Council is asked to:

- 2.1. approve the 2012/13 draft Financial Statements
- 2.2. approve the submission of the draft Financial Statements to the Controller of Audit once all remaining information is available and included, but no later than 30th June.

- 2.3. otherwise note the contents of the report.

### 3.0 Considerations

- 3.1. The accounts have been prepared in accordance with proper practices as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom 2012/13*. The Financial Statements show the actual figures for 2012/13 and the comparable figures for 2011/12.

#### Revenue Outturn

- 3.2 The financial results for 2012/13 are positive and provide a platform from which to address the challenging times ahead. Against the background of reducing resources the Council has successfully delivered savings in the year in excess of its budgeted requirement, and as a result increased its reserves to support service delivery in future years.
- 3.3 Gross revenue expenditure for the year was £170m. This represents the running costs of the Council and indicates the significant size and complexity of the organisation.
- 3.4 The General Fund started the year with a balance of £13.067m. This has increased to £14.179m as at March 2013.
- 3.5 Of the £14.179m balance at 31 March 2013, £6.611m is earmarked for specific purposes, much of which is for use either by individual services or to meet corporate liabilities. This committed balance can be summarised as follows:

	<b>Total</b>
	<b>£000</b>
Secondary Schools PPP	59
Service Improvement Contracts	336
Hallpark Development	1,005
Change Funds	386
Clackmannanshire Works	540
Spend to Save Fund	699
Police Reserves due to Scottish Government	138
Business Rates Incentivisation income retained	1,250
Other miscellaneous Service commitments	690
Sum approved in support of 2013/14 Budget	1,508
Net uncommitted Reserves	<b>6,611</b>

- 3.6 The earmarked balance includes £1.250m relating to the estimated income receivable from the first year of the operation of the Business Rates Incentivisation scheme. The Scottish Government has reviewed the baseline targets for the sharing of the additional income raised from rates due to the unforeseen impact of revaluation appeals. The sum of £1.250m is

Clackmannanshire's estimated share based on these revised target, but currently these targets have not been approved jointly by Scottish Government and Cosla. It is therefore prudent to earmark this income meantime pending conclusion of the final targets and distribution under the scheme.

- 3.7 The earmarked balance also reflects the approval by Council to support its 2013/14 revenue budget through the utilisation of £1.508m from reserves.
- 3.8 The un-committed reserve as at 31 March 2013 stands at £7.568m, compared to £5.562m the previous year. The surplus achieved in the year compared to budget was £2.683m which is in line with the figure of £2.417m reported to Resources and Audit Committee in February.
- 3.9 Regular Budget Strategy update reports to Council and budget outturn reports to Resources and Audit Committee consistently highlighted that ongoing budget realignment activity and service expenditure were being managed proactively throughout the year to secure further one off cash and ongoing budget savings. These are the key factors contributing to this positive outturn, though it is unlikely that this level of performance can be sustained over the medium to long term without detrimentally impacting on the delivery of services.
- 3.10 The Council's reserves strategy stipulates that it should retain uncommitted reserves at a minimum level of 3% of net expenditure, which as at March 2013 would translate to a figure of £3.626m. The outturn position is therefore £3.942m in excess of this minimum reserve figure and represents a level of 6.1%.
- 3.11 The Housing Revenue Account achieved a surplus within the year of £4.204m compared to the forecast figure of £3.840m reported to Resources and Audit Committee in February. In accordance with the Business Plan for the Clackmannanshire Housing Stock, a sum of £3.500m has been applied from reserves in 2012/13. The outcome of these results are that the opening housing reserve balance of £4.180m has increased to £4.884m as at 31st March 2013.

### **Other Reserves**

- 3.12 The Council retains £4.985m within its capital receipts reserve as at March 2013, and increase of £0.376m on the previous year due to further asset sales in the year. This sum is available going forward, either to be applied to reduce future capital borrowing requirements or alternatively can be used to finance in-year loan principal repayments.
- 3.13 The Council also retains £0.472m in a capital grants unapplied account at March 2013. This relates to grant income received in the year in respect of Housing capital work which has still to be completed in 2013/14.

### **Pensions Liability**

- 3.14 The estimation of the Council's net liability in respect of pensions payable is a complex set of judgements. It requires estimates of the life expectancy of

scheme members, assumptions about changes in retirement ages and expected returns on pension fund assets such as stock market investments. The Council engages actuaries to provide expert advice about prevailing assumptions.

- 3.15 As a result of the latest valuation of our Pension accounts in accordance with International Accounting Standard 19 (IAS19), we have witnessed a small deterioration in our Balance Sheet position, with our net liability now standing at £78.887m compared to £76.257m at March 2012.

### **Provisions**

- 3.16 The Council has made good progress in settling equal pay claims during the year with claims totalling £0.634m settled. The Council's provision for equal pay has consequently been re-assessed at £0.220m at 31 March 2013. It is considered that this sum will be sufficient to meet the outstanding liabilities on existing claims which are expected to be concluded in the current financial year. However, we remain potentially exposed to further third wave claims but are unable to quantify what these might amount to. This contingent liability is covered within the notes to the accounts.
- 3.17 The accounts reflect a provision of £0.374m to cover approved voluntary severances agreed before the year end in support of budget savings for 2013/14.
- 3.18 A new provision has been established on the advice of our insurers to cover a potential 30% levy triggered under the Scheme of Arrangement in respect of the winding down of the former Municipal Mutual Insurance Limited. This exposure relates back to former District and Regional Council operations. Up until now the administrators of the scheme have assessed that assets within the company were sufficient to cover outstanding liabilities. But the latest annual review predicts greater uncertainty as to the cost of future claims, hence the need to 'trigger' the scheme. The provision set aside in the accounts to cover this exposure is £0.153m

### **Capital Expenditure and Financing**

- 3.19 During 2012/13 the Council invested £16.386m of capital expenditure on its assets. This reflects an underspend of £4.668m on the budgeted programme, but an improvement on the projected underspend of £5.239m reported to Resources and Audit Committee in February.
- 3.20 Capital expenditure in the year has been financed by capital receipts (£0.921m), government grants and contributions (£6.247m) and direct revenue funding (£3.500m) leaving a balance of £5.718m requiring to be financed from borrowing. Comparing this new borrowing requirement with the sum set aside in the year of £6.350m for repayments of debt demonstrates there was no need to actually incur further external borrowing.
- 3.21 The Council's external debt as at March 2013 stands at £167.202m, a reduction of £5.236m from the position as at March 2012. This outcome is in

line with our approved Investment Strategy which focuses on reducing the overall level of debt liabilities carried by the Council.

### **Trading Operations**

- 3.22 The Council's significant Trading Organisation, Property Contracts again achieved its statutory requirement to break even, and contributed a surplus of £0.162m to the Councils operating costs.

### **Public Inspection**

- 3.23 The Financial Statements, once submitted to the Controller of Audit will, at his request, be made available for public inspection and will be subject to an audit period of up to three months.
- 3.24 The Council's final audited Financial Statements will be presented to Resources and Audit Committee along with the External Auditors Key Issues Memorandum in September 2013.

## **4.0 Conclusion**

- 4.1 The results for the year are extremely positive against the backdrop of the current economic climate. A significant surplus has been achieved in the year on General Fund which ensures our uncommitted reserves remain in excess of the Council's approved level. This provides a sound financial platform from which to manage the Council's finances in the future.
- 4.2 Managers across the Council have sustained a clear focus on managing expenditure pressures and ensuring overall spend remains within budget throughout the year. This corporate approach is an important feature of the Council's arrangements. Elected members have received regular updates on progress in implementing the Budget Strategy through Council and Scrutiny monitoring reports during the year.
- 4.3 In summary, the Council has consistently applied its agreed budget, finance and investment strategies throughout 2012/13 and this places us in a strong position as we move into next years budget deliberations.

## **5.0 Sustainability Implications**

- 5.1 Not applicable

## **6.0 Resource Implications**

### *6.1 Financial Details*

- 6.2 The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate.

Yes ☒

- 6.3 Finance have been consulted and have agreed the financial implications as set out in the report. Yes ☒

## 6.4 Staffing

## 7.0 Exempt Reports

- 7.1 Is this report exempt? Yes ☐ (please detail the reasons for exemption below) No ☒

## 8.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

- (1) **Our Priorities** (Please double click on the check box ☒)

The area has a positive image and attracts people and businesses	<input type="checkbox"/>
Our communities are more cohesive and inclusive	<input type="checkbox"/>
People are better skilled, trained and ready for learning and employment	<input type="checkbox"/>
Our communities are safer	<input type="checkbox"/>
Vulnerable people and families are supported	<input type="checkbox"/>
Substance misuse and its effects are reduced	<input type="checkbox"/>
Health is improving and health inequalities are reducing	<input type="checkbox"/>
The environment is protected and enhanced for all	<input type="checkbox"/>
The Council is effective, efficient and recognised for excellence	<input checked="" type="checkbox"/>

- (2) **Council Policies** (Please detail)

## 9.0 Equalities Impact

- 9.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?  
Yes ☐ No ☒

## 10.0 Legality

- 10.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes ☒

## 11.0 Appendices

- 11.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

None

## 12.0 Background Papers

- 12.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)  
Yes ☒ (please list the documents below) No ☐

**Draft Statement of Accounts 2012/13**

**Author(s)**

<b>NAME</b>	<b>DESIGNATION</b>	<b>TEL NO / EXTENSION</b>
Martin Dunsmore	Accountancy Manager	2041

**Approved by**

<b>NAME</b>	<b>DESIGNATION</b>	<b>SIGNATURE</b>
Nikki Bridle	Director of Finance & Corporate Services	Signed: N Bridle
Elaine McPherson	Chief Executive	Signed: E McPherson



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**Report to Council**

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**Date of Meeting: 27 June 2013**

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**Subject: Annual Review of Debtors**

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**Report by: Revenues and Payments Manager**

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**1.0 Purpose**

- 1.1. The purpose of this report is to provide Council with an update on council income collection rates, arrears positions and provide the recommendations for writing off those arrears classified as irrecoverable or 'bad debts'. The report will also set out the main improvement actions currently being developed by the service to improve on performance. The timing of this report is prescribed by the Corporate Recovery and Write Off Policy and is a key milestone in the preparation of the Council's financial statements which need to be approved by end June each year.

**2.0 Recommendations**

2.1. Council is requested to:

- note the trends in income collection levels and the related arrears positions,
- approve the write off of £679,403, which represents less than 0.2% of total Council debt raised. (para 5.3 refers),
- note the reduction in the level of debt proposed for write off for 2012/13 compared with the 2011/12 write off figure of £1,484,076,
- note the position relating to Council Tax net write-on of income amounting to £53,567,
- note and comment where appropriate on the continuing challenges and developments in respect of income collection and recovery arrangements.

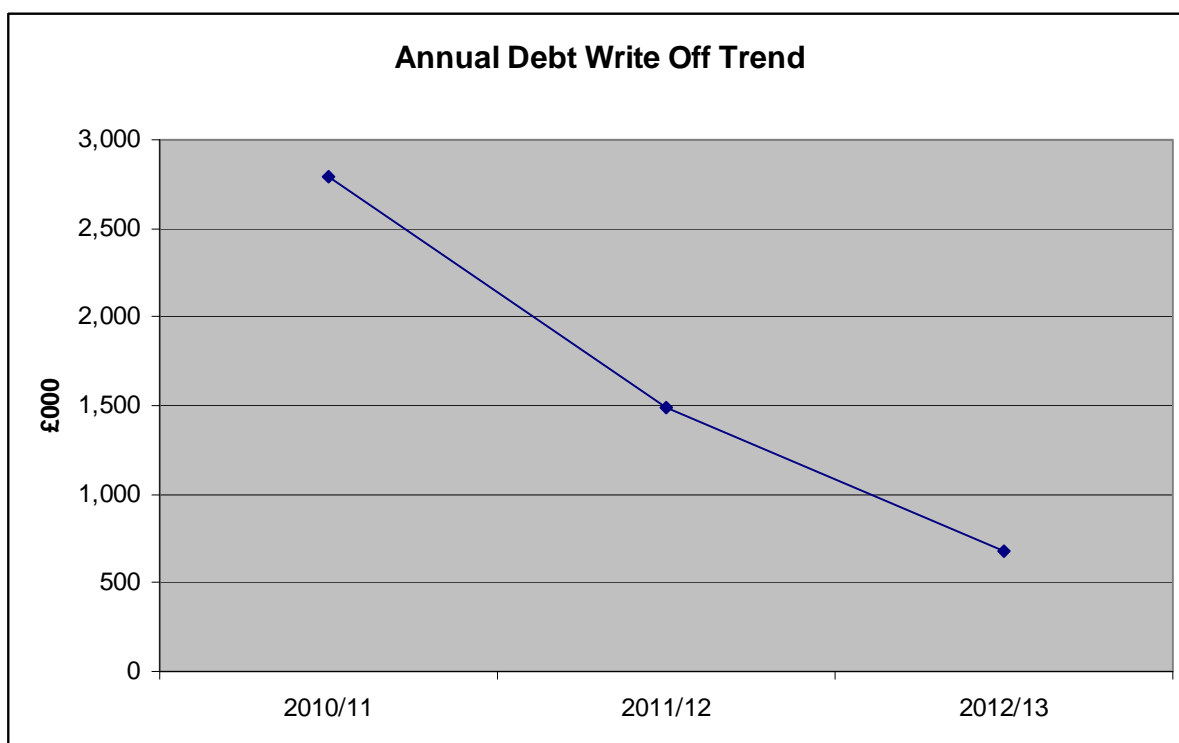
## **3.0 Considerations**

### **Background**

- 3.1. In August 2011 and June 2012, the Revenues & Payments Manager presented annual reports to Council on the review of debtors for 2010/11 and 2011/12. These reports present information on the income received and the arrears position. They also sought approval for the amount of debt that was deemed irrecoverable, to be written off.
- 3.2. These reports also contained a number of proposed developments to improve and develop the Revenues and Payments team.
- 3.3. This report provides the annual update of the income and debtors position during 2012/13. It proposes the write off for 2012/13 and updates members on the improvement works being undertaken within the Revenues service.

### **Three year trend**

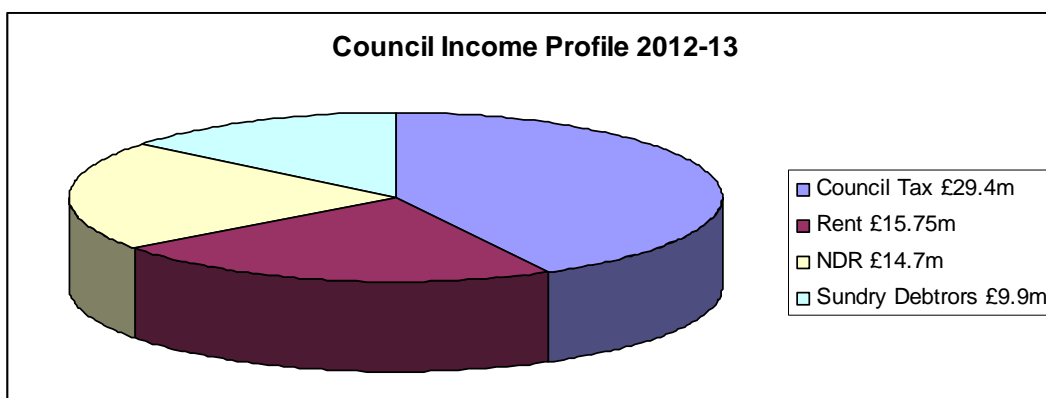
- 3.4. Over the last three years, the level of gross debt has increased by 2.8% from £12.355 million to £12.706 million. At the same time, the level of provision for bad debts has been regularly reviewed and adjusted. This results in the net debt position improving from £6.584million to £4.955 million over the same period.
- 3.5. Against this underlying trend, collection levels continue to improve for Council Tax and NDR. Sundry debtors show a very small decline for in year recovery (0.1%), however an additional £1.1m was invoiced and collected during the year. Collection rates for housing benefits overpayments increased by 10% and collection of rents reduced 0.15%
- 3.6. Housing debt levels show an overall increase over three years from £1.472 million in 2010/11 to £1.769 million in 2012/13.
- 3.7. Both debt trends and debt provision will be kept under review. This is particularly important given the potential for changes as a consequence of the continuing economic downturn and from Welfare Reform during 2013/14 and in 2014/15.
- 3.8. This information is represented graphically or in table format in sections 4.9, 4.12, 4.15 and 4.22 of this report. The Scottish Average performance is used as the comparator for previous years' performance. Scottish average data for 2012/13 will be available by September 2013. Comparative performance data will be reported to the Resource & Audit Committee in December 2013.
- 3.9. The Council's annual debt write off trend for the three years to 2012-13 is summarised below



#### 4.0 Revenues Received by the Council - Position at 31 March 2013

- 4.1. The Revenues and Payments team collects income and arrears for a number of debt streams for Clackmannanshire Council namely council tax, sundry income/debtors and rents. The team also collects NDR on behalf of the Scottish Government under the current rates pooling system and Water Service Charges (along with Council Tax) are collected on behalf of Scottish Water under direction from the Scottish Government.
- 4.2. During 2012/13, £69.75m of income was charged by the Council as follows

**Figure 1**



- 4.3. The Council's debtors position is reported as both a gross and net position. The gross debtor reflects the total amount due to the Council. The net debtor reflects the amount that the Council realistically expects to cover. The difference between these two figures is the debtor provision which is a prudent calculation of debt that is not expected to be recovered. The net debtor position is recognised as the best reflection of debts that will be recovered.

- 4.4. The Council's debtors position at 31 March 2013 is summarised below. This table reflects the gross debtor position, provision and net debtor position. For 2012/13, the figures are draft and still subject to audit. They also incorporate the proposed write off of £679,403 to show a comparable position of the gross and net debtors over the three years. Each year there is adequate provision made against the debtor. The key indicator for debtor performance is that of net debtor, which is not affected by any write off.
- 4.5. The provision noted below and proposed for 2012/13 complies with the change in approach agreed with the Council's External Auditors during the 2011/12 audit process.

Debt trend over three years.

<b>Debtor</b>	<b>2010-11 £000</b>	<b>2011-12 £000</b>	<b>2012-13 £000<sup>1</sup></b>
Council Tax	9,107	8,859	9,095
Sundry Debtors	1,776	1,642	1,842
Rent Arrears	1,472	1,622	1,769
<b>Total Gross Debtor</b>	<b>12,355</b>	<b>12,123</b>	<b>12,706</b>
<b>Total Provision</b>	<b>(5,771)</b>	<b>(7,260)</b>	<b>(7,751)</b>
<b>Total Net debt</b>	<b>6,584</b>	<b>4,863</b>	<b>4,955</b>

<sup>1</sup> These figures are draft and are still subject to change as part of the 2012/13 external audit.

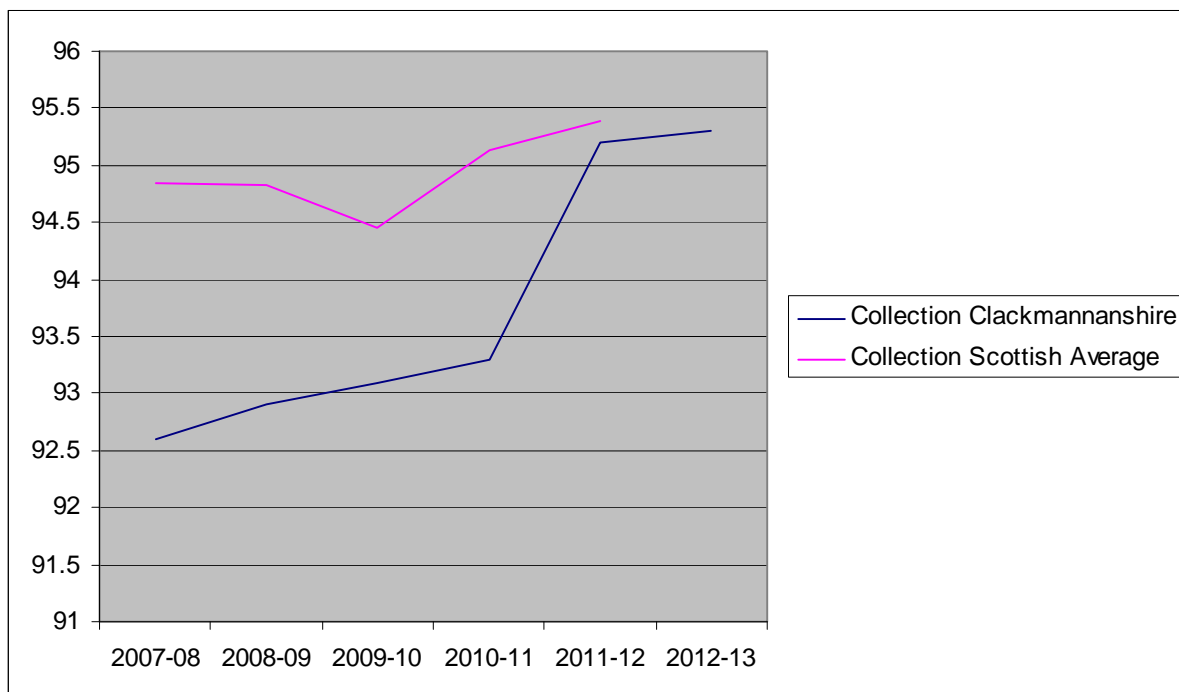
- 4.6. As indicated in paragraph 3.4, the trend in gross debt levels over the past three years has shown an increase despite the significant improvements made in improving the Council's processes. This suggests that the underlying economic trends are impacting on debt levels in spite of maintained and improving collection levels. This is likely to continue to be a risk in future years. This in turn is reflected in the increasing level of provision made for bad debts over the three year period reported.

### **Council Tax - Context**

- 4.7. Council Tax and Water Service charges are levied on each domestic dwelling within Clackmannanshire. At present there are 23,819 such dwellings (up from 23,750 in 2011-12) with an annual charge levied amounting of £29.43 million (down from £29.46 million for 2011-12) which is billed to the residents of Clackmannanshire.
- 4.8. Over the three years from 2010/11, the level of Council Tax debt has increased from £9.107million to £9.429million. This overall trend masks the peak in 2011/12 when the gross Council Tax debt was £9.592million. This position has been improved upon in the 2012/13 financial year.
- 4.9. One key performance indicator used to measure the council tax collection rates performance is known as the in-year collection rate. This represents the

amount of council tax collected in the year as a percentage of the amount raised in the same year. For 2012/13, the Council's collection rate was 95.31%, up from 95.2% in 2011/12. The following graph highlights the upward trend in Clackmannanshire Council's collection rate. The Scottish average for 2012/13 is not yet available:-

**Figure 2**



4.10. During the current year Clackmannanshire Council's in year collection rate has continued to approach the Scottish average. This is due to the following:-

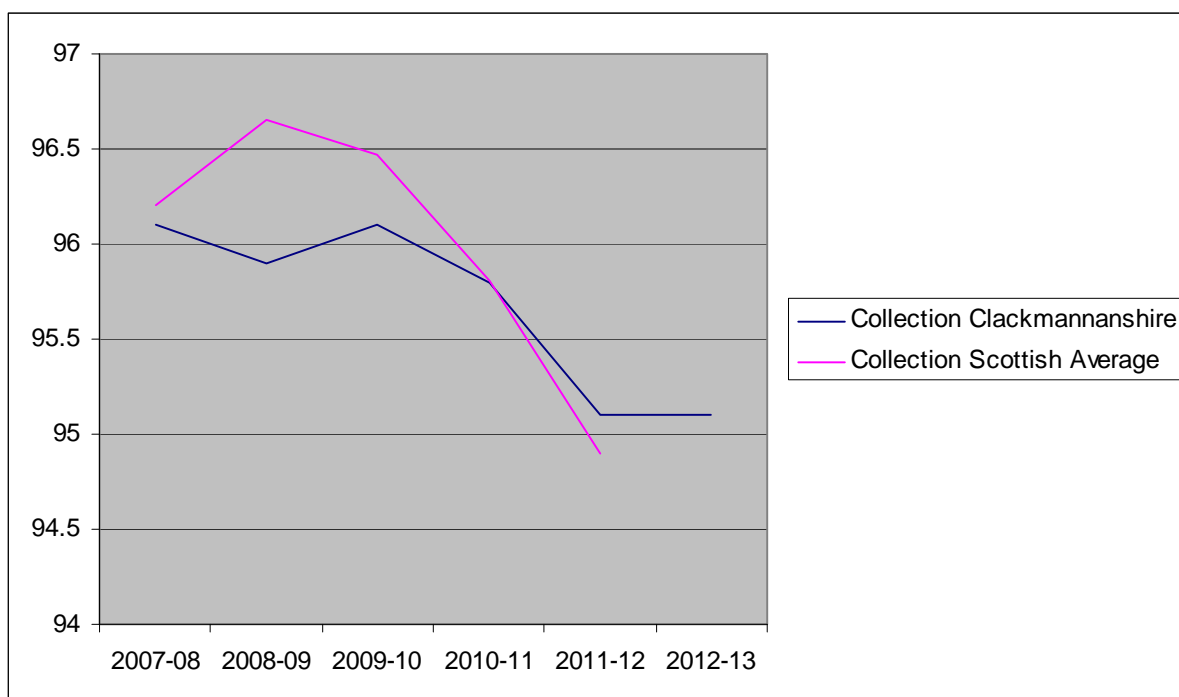
- Collection arrangements can be commenced earlier as a result of moving the payment date from 15<sup>th</sup> to 1<sup>st</sup> of each month from April 2011,
- Targeted work within the Council's recovery team including working closer with our internal services and external partners and includes such methods as agreeing base-lining with the Sherriff Officer partners, better debt profiling and enhanced information sharing,
- Proactive and preventative work undertaken by the team especially around early intervention to prevent debts,
- Improved system reporting capabilities, with the Council moving to a more accurate measure for reporting on the Council Tax collection performance, being "line by line" reporting by March 2012. This was reported to members in June 2012 as part of the Annual Debtors Review 2011-12 Report.

4.11. For comparison purposes the in-year collection rate, determined by using last year's formula based reporting methodology, rose from 93.9% to 93.95%.

The service will continue to monitor and set collection targets using both methods of recording.

- 4.12. The second indicator used to record council tax collections is the all year collection indicator. This records the percentage of council tax collected in all years in total in comparison with the amount raised for each year. The following graph illustrates this indicator for Clackmannanshire Council and compares it with the Scottish average over the last five years.

**Figure 3**



- 4.13. While this reflects a reducing trend in collecting all years council tax income, the Council's collection has continued to be above the Scottish Average for the last four years. This indicator again uses the line by line reporting tool as described in paragraph 4.10.

- 4.14. For council tax, the key issues are:-

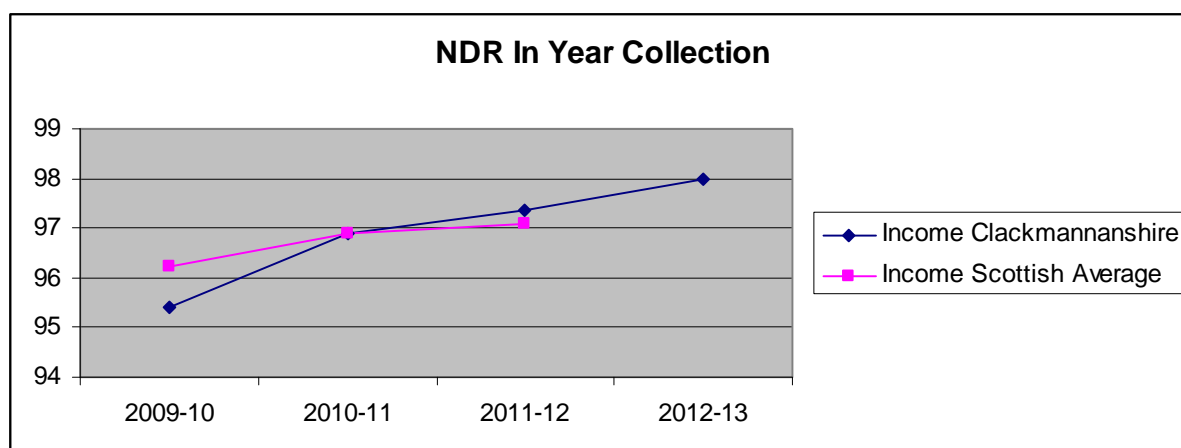
- the three year trend for Council Tax gross debt shows a 0.01% increase
- the net debt for Council tax continues to reduce from £4.041 million in 2010-11 to £3.077 million in 2012-13,
- performance has continued to improve with the in year collection figure of 95.31% for 2012/13,
- the Council changed its reporting methodology in 2011-12 which is more accurate and brings it into line with more Scottish Local Authorities.

### **Non Domestic Rates - Context**

- 4.15. NDR income is billed and collected by Clackmannanshire Council on behalf of the Scottish Government under the rates pooling system. In 2012-13 the

Council billed £14.7 million to over 1500 business premises in the Council area ( an increase from £13.8m in 2011-12). The Revenues and Payments team has increased the in year collection rate from 97.36% in 2011-12 to 98% in 2012-13. This is above the Scottish Average of 97.10% for 2011-12.

**Figure 4**



4.16. Rates collection levels in Clackmannanshire continue to increase and the net debtor position is reducing year on year. This can be attributed to the following reasons:-

- Settled appeals through the Assessors or the Valuation Appeals Committee against rateable value of approximately £25,000 have been successful during the year (a reduction from £200,000 in 2011-12),
- A proactive approach to rate payers who fail to pay their rates with early interventions to ensure debt is minimised,
- Closer working with internal services and external partners to ensure debtors are billed in a timeous manner and recovery action is taken, when appropriate, as soon as legislation allows,
- Better processes have been utilised by the Council and external partners in terms of debt profiling and information sharing.

Due to the fact that the Council collects NDR for the Scottish Government under the rates pooling system, the debtor figure is not included in the council's financial statements.

4.17. For non domestic rates:-

- performance has continued to improve and the in year collection for 2012-13 is 98% compared with 97.36% in 2011/12.

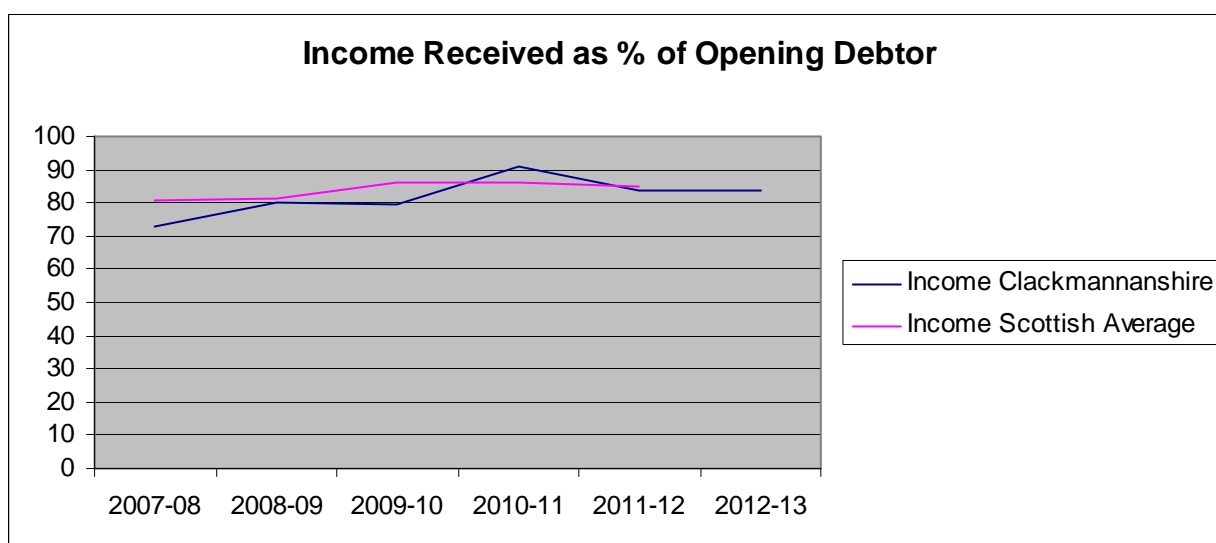
### **Sundry Debtors - Context**

4.18. Sundry debtors is billed by invoices raised to a customer or member of the community in respect of services provided and received. In 2012/13 £9.97m million (up from £8.81 million in 2011/12) of invoices were raised for such

services as provision of music tuition, commercial refuse, home help and meals on wheels.

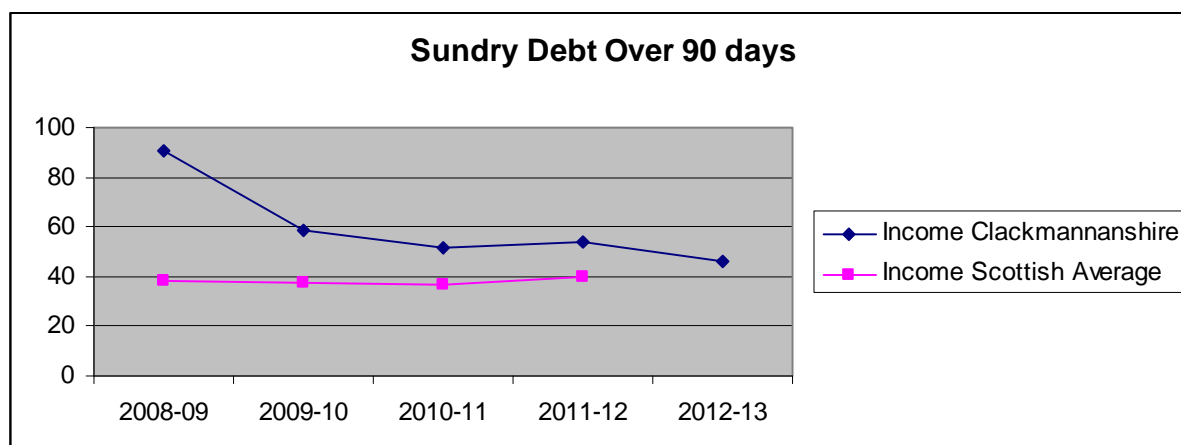
- 4.19. The net debt position has increased from £1.2m to £1.5m. This results from the value of invoices raised in the last 12 months increasing by £1.1 million. As the collection over 90 days continues to improve, this indicates that while the debtor figure has increased at year end, recovery will be effected within a three month period in 2013/14.
- 4.20. The 2012-13 in year collection level for sundry debtors was 83.62%, which is down 0.1% from previous year collection rate of 83.72 %. Although performance has dropped slightly since the last financial year, invoices valued at £1.1m more than in 2011 - 12 have been raised in 2012-13. Performance remains just below last years Scottish average of 85.04%

**Figure 5**



- 4.21. A second indicator of the longer term sundry debtors performance is the age of the debt outstanding which is over 90 days old. This has reduced consistently from 90% in 2008/09 to 45% in 2011/12, meaning that 55% of the Council's debt is recovered within 3 months. The Council is moving progressively closer to the Scottish average of 40% in 2011/12.

**Figure 6**



#### 4.22. For sundry debtors:-

- the gross sundry debtor has increased £66,000 (3.7%) over the three years to 2012-13 to £1.842 million
- debt greater than 3 months continues to reduce which indicates that recovery rates continue to improve,
- the net debtor has reduced £169,000 (9.5%) over the three years to £1.501 million.
- collection levels have decreased marginally to 83.62%, though £1.1 million more of additional invoices were raised during 2012-13 than in 2011-12.

#### Housing:

##### Rental Income - Context

#### 4.23. The total housing debtor can be broken into the following different categories:-

##### HRA arrears position 2010/11 to 2012/13

	<b>2010-11 £000</b>	<b>2011-12 £000</b>	<b>2012-13 £000</b>
Current tenant arrears	371	344	383
Former tenant arrears	272	331	367
HB Overpayments	690	767	845
Rechargeable Repair	92	134	165
Other Misc	47	46	9
<b>Total Gross Debtor</b>	<b>1,472</b>	<b>1,622</b>	<b>1,769</b>
Provision	(599)	(1,287)	(1,392)
<b>Total Net Debtor</b>	<b>873</b>	<b>335</b>	<b>377</b>

#### 4.24. The majority of this debt is accounted for within the Housing Revenues Account with the exception of Housing Benefit Overpayments which are included in the general fund account.

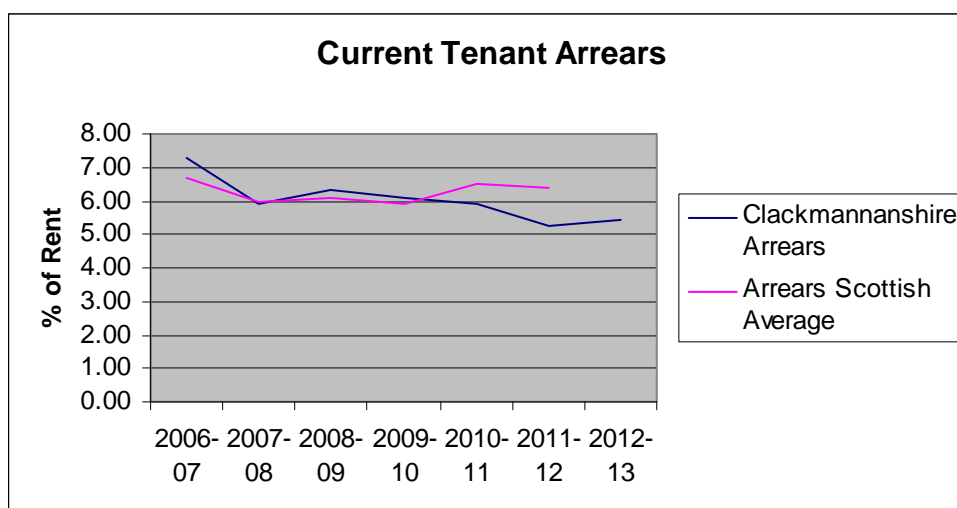
##### Current Tenant Arrears

#### 4.25. Total gross rental income for 2012-13 payable by the Council's almost 5,000 tenants and associated lock-ups was £15.570 million (up from £14.814 million in 2011/12) an increase of £936,000.

#### 4.26. Current tenant arrears have increased by £38,000 or 11%.

#### 4.27. A key measure of performance for current tenant rent arrears is expressed as the percentage of net rent due at the end of the financial year. For 2012-13 this was 5.45% an increase of 0.15% from 2011-12 performance of 5.3%. This remains below the Scottish Average of 6.39% for 2011-12. Performance for the previous seven years, has been as follows:

**Figure 7**



4.28. Clackmannanshire Council has maintained the overall current tenant arrears position to below the Scottish average. The National trend is for rent arrears to show an increase; this Council's performance is now starting to follow this trend but a proportionately lower rate of increase. The following actions have resulted in the increase in arrears being kept to the minimum possible:

- Application of an integrated approach to debt recovery with the Income Control Team, working closely with internal service partners to ensure tenants receive a first rate rent collection service,
- The introduction of closer working within a corporate debt environment within the Revenues and Payments team to include sharing of best practices and debtor information,
- Taking a proactive approach to debt recovery concentrating on early intervention to minimise debts for tenants
- Closely monitoring the impact on individuals directly affected by the reduction in housing benefit due to under-occupation.

### **Former Tenant Arrears**

4.29. Former tenant arrears occur when a tenant gives up a Council tenancy for various reasons including death, abandonment or evictions and any outstanding rent has not been paid.

4.30. The position at the 31 March 2013 was an increase in former tenant arrears of £36,000, which represents an increase of 11% on 2011-12.

4.31. For all Housing providers, this debt continues to be challenging to collect as after a tenant leaves there are few sanctions that can be imposed. Dedicated resource is allocated to the collection and recovery of former tenant arrears. Contact details are held for all customers with former tenants arrears and arrangement are systematically being put in place to recover the amounts outstanding.

## Housing Benefit Overpayments

- 4.32. Overpayments of housing benefit occurs where benefit has been received by an individual yet the DWP assesses that the individual was not entitled to receive benefit. This can occur for a variety of reasons such as fraud, claimant error or backdated change in circumstances. Where overpayments are identified, these are recovered immediately by DWP, which can result in a considerable amount owed to by the individual to the landlord.
- 4.33. Housing benefit overpayment relating to Council tenants, known as public sector overpayments decreased £49,000 from £865,000 in 2011/12 to £816,000 in 2012/13.
- 4.34. The in year recovery of overpayments for the last five years was as follows:-

Year	Public Sector Overpayments		
	Amount Due* £	Amount Collected £	% collected
08-09	106,078	16,254	15.32%
09-10	110,029	17,266	15.69%
10-11	62,090	12,826	20.66%
11-12	110,972	45,583	41.08%
12-13	128,641	79,642	61.91%
* The full public benefit overpayments of £816,000 referred to in 4.32 above is made up of all out-standing years. The table above only shows the past five years.			

- 4.35. The in year collection of housing benefit overpayments for Council tenants has improved this year with a further 20% increase on the recovery rate of the previous year to 61.91% in 2012-13. This is a direct result of changes in practice resulting from a management review of operating procedures which led to identified overpayments being deducted directly from tenants benefits.

## Housing Benefit Overpayments - Private Landlords/Tenants

- 4.36. Overpayments also occur for private tenants in receipt of Housing Benefit and are referred to private sector overpayments. Analysis is provided below for comparison purposes. These amounts owing are reflected within the Sundry Debtors balance summarised in paragraph 4.18.
- 4.37. The in year recovery of overpayments for the last four years was as follows:-

Year	Private Sector Overpayments		
	Amount Due £	Amount Collected £	% collected
08-09	356,010	225,635	63.38%
09-10	326,106	193,620	59.37%
10-11	548,143	285,342	52.06%
11-12	319,321	268,367	84.04%
12-13	308,214	290,310	94.19%

4.38. The in year collection of housing benefit overpayments for private tenants/landlords has improved this year with an 10% increase in the recovery rate on the previous year to 94.19%. As stated in 4.34, this is a direct result of changes in practice resulting from a management review of operating procedures which led to identified overpayments being deducted directly from tenants benefits. This debt is not attributed to the Council and therefore does not appear in the Financial Statements.

### **Combined Housing Benefit Overpayments**

4.39. The collection rate for overpayments raised and collected in the year for both public sector and private sector tenants equates to 84.69%. The Council receives subsidy from the DWP at 40% for overpayments raised. If the combined collection rate is below 60%, this results in a cost to the Council, however where the combined collection rate is greater than 60%, this results in additional income to the Council. As the recovery rate was 84.69% for 2012/13, this has resulted in additional income to the Council of £107,859.

4.40. This income is reallocated within the Housing service.

### **Rechargeable Repairs**

4.41. Rechargeable repairs continue to increase over the three years from £92,000 in 2010-11 to £165,000. Rechargeable repairs relates to repairs which are recharged to tenants where there has been malicious or negligent damage. The recharge only covers the costs of the repairs to the Housing Revenue Account.

4.42. In acknowledgement of the increasing arrears trend, detailed work is being undertaken by Housing, Revenues and Payments and Accountancy to identify how performance can be improved.

4.43. For rent debtors, the key issues are :-

- performance has reduced with the current tenant debt increasing by 0.15% to 5.45% of the net debt raised in the year. This remains below the national average of 6.39% in 2011/12,

- the current tenant arrears have increased £39,000 to £383,000 at the end of 2012/13,
- former tenant arrears, housing benefit overpayments and rechargeable repairs continue to increase,
- overall public sector overpayments reduced to £816,000 in 2012/13 with the collection level improving 20% to 61% for 2012/13.
- the Council received additional income of £107,859 in 2012/13, due to collection levels for Housing Benefit overpayments being 84.69%.

#### **Future of Rents/Overpayment collections.**

4.44. As members are aware, with the reduction of housing benefit, it will be a challenge to maintain or improve levels of rent arrears and maximise recovery of overpayments due to changes associated with Welfare Reform. Regular member briefings have been undertaken and will continue to be carried out highlighting the impacts on this Council of the Welfare Reform agenda. Two crucial issues will directly impact recoveries of rental income due in the coming years:-

- Introduction of size criteria into the social rented section,
- Introduction of direct payments to tenants with Universal Credit.

### **5.0 Annual Write Off**

- 5.1. As part of the Corporate Recovery and Write Off Policy that was approved by Council in January 2012, all debt that is deemed as irrecoverable will be identified and presented to members annually to be written off. In doing so, the Council follows general accounting principles ensuring that all reasonable recovery actions have been undertaken prior to the identifying a debt for write off.
- 5.2. The Corporate Recovery and Write Off Policy also provides that the Director of Finance will make adequate provision for such irrecoverable debts. All the debts as detailed below have been fully provided for.
- 5.3. The following table identifies the proposed write offs for each income stream for 2012/13, together with a comparison for the write off approved for 2011/12. The 2012/13 Statement of Accounts reflects the net debt position. More detail for each income stream along with the reasons for the write off are set out in **Appendix 1**.

Proposed write-offs for 2012/13.

	<b>Approved Write Off 2011/12</b>		<b>Proposed Write Off 2012/13</b>	
<b>Type of Debt</b>	<b>Number of accounts</b>	<b>Value</b>	<b>Number of accounts</b>	<b>Value</b>
Council Tax	1,514	£733,238	841	£293,206
NDR	327	£621,315	92	£179,677
Sundry Debt	258	£91,658	271	£76,186
Former Tenant Arrears	82	£37,865	81	£77,751
Business Development Loans	-	-	8	£52,583
<b>Total</b>	<b>2,181</b>	<b>£1,484,076</b>	<b>1,293</b>	<b>£679,403</b>

5.4. The write off for each category of income represents the following percentage of total debt raised:-

- Council Tax write off represents 0.1% of the total debt raised,
- Non Domestic Rates represents 0.2% of the total debt raised,
- Sundry Debt represents less than 0.1% of the debt raised,
- Former Tenant Arrears represents less than 0.1% of the total rent raised over the preceding 5 years

5.5. The Business Development Loans write off relate to loans which were awarded to small local businesses over 10 years ago, at a time when the Council was supporting local businesses, with a view to improving employment opportunities. The loans are fully provided for and the businesses involved have either ceased trading or been liquidated.

5.6. In accordance with the Corporate Recovery and Write Off Policy a full record of each write off is retained by the Revenue and Payments Team to allow the debt to be written back and pursued in the future, if new information comes to light on the debtor.

### **Written Off Income Recovered**

5.7. The Revenues & Payments team commenced an exercise with an external debt collection agent with regard to a trace and recover service for Council Tax debt previously written off due to being irrecoverable. This approach to dealing even with debt previously written off has resulted in a net figure of £53,566 now being written on to the Councils accounts. Only amounts that have been actually recovered are written on.

5.8. A percentage rate of 50% is paid to the debt collection agency. The gross recovery figure was £107,112.

## **Progress on Corporate Debt and Recovery Arrangements**

- 5.9. In the Budget Strategy presented to members, one of the four key components of the strategy is income maximisation, which incorporates the collection and recovery of Council income. These outcomes/objectives are also reflected within the Corporate Recovery and Write Off Policy and administered by the Revenues and Payments Service.
- 5.10. In the report to members in June 2012 an overview was given of the plans for improving the corporate debt arrangements in 2012-13. These plans included improving performance management, obtaining Customer Service Excellence and commitment to continuous improvement.
- 5.11. In reviewing the overall service provision, the following activities took place during 2012-13.
- Formation of the Welfare Reform Working group, comprising services and partners,
  - Continued briefings for members, staff and other stakeholders on the impacts of welfare reform,
  - Contact with all tenants affected by the changes in housing benefit due to under occupation,
  - Baselining of Council Tax account information with Sheriff Officer partners,
  - Introduction of the Scottish Welfare Fund,
  - Preparation of the Discretionary Housing Payment Policy for members approval and subsequent contact with all individuals who have submitted an application,
  - Consultation with revenues staff on the Revenues restructure and appointment of the new Revenues Team Leader,
  - Accreditation to Customer Services Excellence.

## **Corporate Debt and Recovery going forward 2013-14 onwards.**

- 5.12. Whilst the collection rates are generally encouraging given the current financial context, there is potential risk to the Council as a consequence of the impact of the economic downturn and Welfare Reform.
- 5.13. To ensure that these risks are managed the Revenues and Payments Team service redesign is in progress. The major changes over the past 12 months have resulted in the need to review original redesigns for the service and to include a number of temporary posts. The design is now developed and reflects the outcomes of the Corporate Recovery and Write Off Policy.
- to maximise income for the Council

- to maximise income for customers
- to reduce the debt owed to the Council by customers

5.14. The next stages of the redesign will see a service restructure with the implementation of a corporate billing & assessment team and a corporate debt recovery team being set up within the current Revenues and Payments team.

In carrying out this restructure a review of all processes is underway to ensure that the best use of resources is employed in the assessment and recovery of debt. This involves a number of separate but linked projects including: -

- closer engagement and joint working with services to co-ordinate debt recovery efforts and intelligence and expertise;
- closer engagement and joint working with services to co-ordinate financial assessments for individuals and families, ensuring individuals are receiving their maximum entitlement and the funds are made available from the most appropriate source(s),
- developing a closer, more effective working relationship with the Sherriff Officer on contact and recovery arrangements;
- preparation of options appraisal for future use of external agents for recovery purposes;
- reviewing payment methods for customers to improve the ease of making payments to the Council;
- using best practice and benchmarking groups to review and update processes with best industry practice;
- regular use of professional associations and networks to discuss best practice such as Directors of Finance Group, IRRV and Scottish Rents Forum

## **Conclusion**

5.15. The overall debt position of the Council continues to be closely managed and monitored.

5.16. While the net debtor position has increased by £92,000 between 2011-12 and 2012-13 to £4.955 million, collection levels have been largely maintained or improved. This performance runs contrary to national trends which demonstrate overall reductions in collected income and significant increases in debtors. This has been achieved whilst the team is in a transitional period through the service restructure and supporting the mitigation of the risks of welfare reform.

## **6.0 Sustainability Implications**

6.1. None

## 7.0 Resource Implications

### 7.1. Financial Details

7.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes ☒

7.3. Finance have been consulted and have agreed the financial implications as set out in the report. Yes ☒

### 7.4. Staffing

## 8.0 Exempt Reports

8.1. Is this report exempt? Yes ☐ (please detail the reasons for exemption below) No ☒

## 9.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box ☒)

The area has a positive image and attracts people and businesses	<input type="checkbox"/>
Our communities are more cohesive and inclusive	<input type="checkbox"/>
People are better skilled, trained and ready for learning and employment	<input type="checkbox"/>
Our communities are safer	<input type="checkbox"/>
Vulnerable people and families are supported	<input checked="" type="checkbox"/>
Substance misuse and its effects are reduced	<input type="checkbox"/>
Health is improving and health inequalities are reducing	<input type="checkbox"/>
The environment is protected and enhanced for all	<input type="checkbox"/>
The Council is effective, efficient and recognised for excellence	<input checked="" type="checkbox"/>

(2) **Council Policies** (Please detail)

Corporate Recovery and Write Off Policy

Discretionary Housing Payment Policy

## 10.0 Equalities Impact

10.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?  
Yes ☐ No ☒

## 11.0 Legality

- 11.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes ☒

## 12.0 Appendices

- 12.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix 1 - Proposed Bad Debt Write Off 2012-13

## 13.0 Background Papers

- 13.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes ☐ (please list the documents below) No ☒

### Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Susan Mackay	Revenues and Payments Manager	452047

### Approved by

NAME	DESIGNATION	SIGNATURE
Julie Burnett	Senior Support Services Manager	Signed: J Burnett
Nikki Bridle	Director of Finance & Corporate Services	Signed: N Bridle

**Bad Debt Write Off 2012/13****1. Council Tax and Water Charges**

The following tables split the proposed write off's for Council Tax and Water Charges by reason for the write off.

<b>Reason</b>	<b>No of Accounts</b>	<b>Value £</b>	<b>Costs £</b>	<b>Total £</b>
Outwith Jurisdiction	19	3,847	378	4,225
Gone Away	63	12,908	1,020	13,929
Uncollectable/Other	73	27,917	2,962	30,879
Deceased	233	48,853	1,111	49,964
Sequestrations	451	176,338	17,849	194,187
Small Balances	2	22	0	22
<b>TOTAL</b>	<b>841</b>	<b>269,885</b>	<b>23,320</b>	<b>293,206</b>

**2. Non Domestic Rates**

The following tables split the proposed write offs by reason for the write off. Full case records are retained by Revenue and Payments Team for audit purposes. Please note only the primary reason for the write off is given, this can occur when more than one write off reason applies such as Sheriff Officer uncollectable may be due to the company ceasing trading.

<b>Year</b>	<b>No of Accounts</b>	<b>Total £</b>
Sequestration	17	35,905
Uncollectable/Other	30	54,984
Liquidation	16	39,987
Gone Away	24	34,937
Deceased	5	13,864
<b>TOTAL</b>	<b>92</b>	<b>179,677</b>

**3. Sundry Debt**

The following tables split the proposed write offs by and originating service. It should be noted that the split by service reflects the current structure of the Council. Case level records have been retained by the Revenues and Payments team for audit purposes.

<b>Reason</b>	<b>Number</b>	<b>Total £</b>
In Administration	3	1,307
Sequestrated /Bankrupt	24	6,565
Ceased Trading	10	1,896
Deceased	17	9,489
Trust Deed	20	1,789
Company Dissolved	2	92
Gone Away	10	11,334
Prescribed (over 5 years)	183	38,659
Uncollectable	2	5,056
<b>TOTALS</b>	<b>271</b>	<b>76,187</b>

<b>Service</b>	<b>Number</b>	<b>Total £</b>
Community & Regulatory	102	40,690
Education	29	3,493
Facilities Management	35	6,374
Social Policy	71	13,634
Support Services	34	11,996
<b>TOTALS</b>	<b>271</b>	<b>76,187</b>

#### **4. Former Tenant Rent Arrears**

The following tables show the proposed write offs for Former Tenant Arrears for dwellings and lock-ups showing the write offs split into each reason type.

<b>Reason</b>	<b>Total</b>	<b>Total £</b>
Deceased	18	5,202
Gone Away	46	55,727
Prescribed	16	15,925
Sequestrated	1	897
<b>TOTALS</b>	<b>81</b>	<b>77,751</b>

## Appendix 2

### Detailed Council Debtors Position for Three Years to 31 March 2013

Debtor	2010-11 £000		2011-12 £000		2012-13 £000	
Council Tax	9,107		8,859		9,095	
Provision	<u>(5,066)</u>	4,041	<u>(5,555)</u>	3,304	<u>(6,018)</u>	3,077
Rent	1,472		1,622		1,769	
Provision	<u>(599)</u>	873	<u>(1,287)</u>	335	<u>(1,392)</u>	377
Sundry Debtors	1,776		1,642		1,842	
Provision	<u>(106)</u>	1,670	<u>(418)</u>	1,224	<u>(341)</u>	1,501
<b>Total Net debt</b>		<b>6,584</b>		<b>4,863</b>		<b>4,955</b>



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**Report to    Council**

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**Date:            27th June 2013**

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**Subject:        Annual Treasury Report 2012/13**

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**Report by:     Accountancy Manager**

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**1.0    Purpose**

- 1.1.    The purpose of this report is to detail the Treasury Management activities for the Council for 2012/13.

**2.0    Recommendations**

- 2.1.    It is recommended that the Council note and consider the Annual Report 2012/13 of the Council's Treasury Management activities.

**3.0    Considerations**

**3.1.    Background**

- 3.2.    The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that Council be updated on treasury management activities regularly (Treasury Management Strategy Statement, annual and midyear reports). This annual report therefore ensures the Council is implementing best practice in accordance with the Code.

- 3.3    The report covers the following:

- Economic background
- Interest rate forecast
- Annual Investment Strategy
- New borrowing
- Debt Rescheduling
- Compliance with Treasury and Prudential Limits

### 3.4 Brief Economic Update

- 3.5 The Bank of England February Inflation Report downgraded its forecasts for growth and pushed back the timing of economic recovery. In addition, it also raised its forecasts for inflation (peaking at 3.2% in Q3 this year) and pushed back the timing of when inflation would fall back to the 2% target rate by eighteen months, to Q1 2016. The Bank has, therefore, continued its trend of correcting its repeated over optimism on the speed and strength of recovery and it is now forecasting growth reaching about 1.9% in two years time.
- 3.6 In both the Chancellor's Autumn Statement, and then his March budget, he again extended the timetable for reducing the annual budget deficit and total outstanding debt due to weak growth depressing tax revenues and increasing benefit payments. The one slightly more optimistic area has been the housing market, as the Funding for Lending Scheme looks to be having a positive effect in improving the supply of credit via mortgages.
- 3.7 Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely during 2013/14 as investor fears and confidence, ebb and flow, between favouring more risky assets i.e., equities, and safer bonds. Equity prices have staged an ongoing rise since mid 2012. Correspondingly, there had been a trend of a fall in bond prices and a rise in bond yields, until the Cyprus crisis reversed this trend in late February. Key areas of uncertainty include:
- The potential for a significant increase in negative reactions of populations in Eurozone countries against austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
  - Failure of Italian political parties to form a viable coalition after the general election due to the blocking vote of the Five Star anti-austerity party, which has refused co-operation with any major party.
  - The impact of the Eurozone crisis on financial markets and the banking sector.
  - Monetary policy action failing to stimulate growth in western economies.
  - The impact of the UK Government's austerity plan on confidence and growth.
  - Further downgrading by credit rating agencies of the creditworthiness and credit rating of UK Government debt, consequent upon repeated failure to achieve fiscal correction targets and recovery of economic growth.
  - the potential for weak growth or recession in the UK's main trading partners - the EU and US
- 3.8 The overall balance of risks to economic recovery in the UK remains weighted to the downside. Sector believes that the longer run trend is for gilt yields and PwLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. However, near-term, the prospect of further QE is likely to keep gilt yields lower than they would otherwise be. However, any concerns that central banks are getting to the point where they are likely to view the beneficial effects of further QE as being exhausted, could lead to the reversal of this effect.

- 3.9 Given the weak outlook for economic growth, Sector sees the prospects for any increase in Bank Rate before 2015 as very limited indeed, and the first increase could be even further delayed if growth disappoints.

### 3.10 Interest Rate Forecast

- 3.11 The Council's treasury advisor, Sector, provides the following forecast:

	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%
5yr PWLB rate	1.80%	1.80%	1.80%	1.90%	2.00%	2.10%	2.20%	2.40%
10yr PWLB rate	2.90%	2.90%	2.90%	3.00%	3.10%	3.20%	3.30%	3.50%
25yr PWLB rate	4.10%	4.10%	4.10%	4.20%	4.20%	4.30%	4.40%	4.60%
50yr PWLB rate	4.20%	4.20%	4.20%	4.40%	4.40%	4.50%	4.60%	4.70%

- 3.12 Sector undertook a review of its interest rate forecasts following the issue of the latest Bank of England Inflation Report in February 2013. Sector has left unchanged its forecast for the first increase in Bank Rate to be in March 2015. However, forecasts for PWLB rates have been increased as a result of the marked recovery in confidence in equity markets, anticipating stronger economic recovery in America, supported by growth in the Far East. The rise in equity prices has, conversely, resulted in a selloff in bonds and some diminution of the UK as a safe haven from more risky assets. However, towards the end of March, the Cyprus crisis has partially reversed these general trends.

### 3.13 Annual Investment Strategy

- 3.14 The Treasury Management Strategy Statement (TMSS) for 2012/13, which includes the Annual Investment Strategy, was approved by the Council on 28th June 2012. It can be confirmed that the approved limits within the Annual Investment Strategy were not breached during the year ended 31st March 2013.
- 3.15 Investment rates available in the market have continued at historically low levels and have fallen further during the quarter as a result of the Funding for Lending Scheme. However, the existing preferential rate secured with its current bankers has protected the Council from these low rates. The average level of funds available for investment purposes during the year was £28m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of payments, receipt of grants and progress on the Capital Programme. The Council holds £16m core cash balances for investment purposes (i.e. funds available for more than one year). **Appendix 2** provides details of our investments as at 31 March 2013.

- 3.16 The benchmark investment returns over the last quarter of the 2012/13 financial year are illustrated in the undernoted table:

Benchmark	Benchmark Return
7 day	0.36%
1 month	0.37%
3 month	0.38%
6 month	0.51%
12 month	0.83%

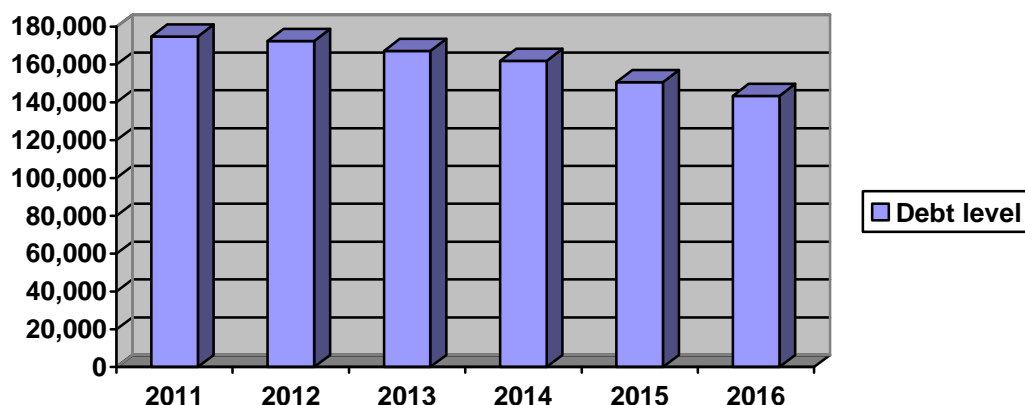
The Council achieved an actual investment return of 1.84% in the year, outperforming the benchmark by between 1.00% and 1.47%. The Council's budgeted investment return for 2012/13 was £195k, and performance for the year outturned £209k above budget.

### 3.17 New Borrowing

- 3.18 No new borrowing was undertaken during the year, and in line with our borrowing strategy the Council had reduced its overall debt liability by repaying £4m of external debt and £1.2m toward finance lease repayment.
- 3.19 The Council's external borrowing position as at 31 March 2013 is illustrated in the undernoted table:

	March 2012 £000	March 2013 £000
Public Works Loan Board	99,703	95,702
Market Loans	24,029	24,024
Other long term liabilities	48,706	47,476
<b>Total</b>	<b>172,438</b>	<b>167,202</b>

- 3.20 This continues a trend in reducing the Council's overall level of borrowing in line with our Treasury strategy. This is illustrated in the following chart, demonstrating actual and forecast level of debt up to 2015/16. This assumes that there is no replacement borrowing in the current and next two years due to the capacity to repay these sums from cash investment balances. This strategy would be reviewed if there were significant changes in interest rates over this period.



### ***Borrowing in advance of need***

- 3.21 The Council has not borrowed in advance of need during 2012/13 and has no intention to borrow in advance in 2013/14.

### **3.22 Debt Rescheduling**

- 3.23 Debt rescheduling opportunities have been limited in the current economic climate and structure of interest rates following increases in PWLB new borrowing rates in October 2010. Consequently no debt rescheduling was undertaken during the year.

### **3.24 Compliance with Treasury and Prudential Limits**

- 3.25 It is a statutory duty for the Council to determine and keep under review the affordable capital expenditure limits. The Council's Treasury and Prudential Indicators (affordability limits) are included in the approved Treasury Management Strategy Statement.
- 3.26 During the financial year the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The prudential and treasury Indicators are shown in **appendix 1**.

## **4.0 Conclusions**

- 4.1 No additional borrowing has been undertaken in 2012/13
- 4.2 The Council's strategy to reduce external debt has delivered a reduction of £5.2 over the last 12 months.
- 4.3 The Council continues to outperform the benchmark return in interest on investments and cash balances remain strong at a level of c£30m which contributes to supporting the Council's capital financing requirement internally.

## **5.0 Sustainability Implications**

- 5.1 None

## 6.0 Resource Implications

### 6.1 Financial Details

- 6.2 The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate.

Yes ☒

- 6.3 Finance have been consulted and have agreed the financial implications as set out in the report.

Yes ☐

### 6.4 Staffing

- 6.5 None

## 7.0 Exempt Reports

- 7.1 Is this report exempt? Yes ☐ (please detail the reasons for exemption below)  
No ☒

## 8.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

- (1) **Our Priorities** (Please tick ☒)

The area has a positive image and attracts people and businesses	<input type="checkbox"/>
Our communities are more cohesive and inclusive	<input type="checkbox"/>
People are better skilled, trained and ready for learning and employment	<input type="checkbox"/>
Our communities are safer	<input type="checkbox"/>
Vulnerable people and families are supported	<input type="checkbox"/>
Substance misuse and its effects are reduced	<input type="checkbox"/>
Health is improving and health inequalities are reducing	<input type="checkbox"/>
The environment is protected and enhanced for all	<input type="checkbox"/>
The Council is effective, efficient and recognised for excellence	<input checked="" type="checkbox"/>

- (2) **Council Policies** (Please detail)

Treasury Management Policy Statement and Practices

## 9.0 Equalities Impact

- 9.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes ☐ No ☐

## 10.0 Legality

- 10.1 In adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes ☒

## 11.0 Appendices

- 11.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix 1 - Prudential and Treasury Indicators as at 31st March 2013

Appendix 2 - Investment portfolio as at 31st March 2013

## 12.0 Background Papers

- 12.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes ☒ (please list the documents below) No ☐

**Treasury Management Strategy 2012/13 - report to Council June 2012**

### Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Martin Dunsmore	Accountancy Manager	2041

### Approved by

NAME	DESIGNATION	SIGNATURE
Nikki Bridle	Director of Finance and Corporate Services	Signed: E Bridle
Elaine McPherson	Chief Executive	Signed: E McPherson



## APPENDIX 1: Prudential and Treasury Indicators as at 31st March 2013

Treasury Indicators	2012/13 Budget £'000	2012/13 Actual £'000
Authorised limit for external debt	193,000	193,000
Operational boundary for external debt	172,000	172,000
Gross external debt	172,000	167,202
Investments	26,000	30,653
Net borrowing	146,000	136,549

Maturity structure of fixed rate borrowing - upper and lower limits		
Under 12 months	5,200	5,228
12 months to 2 years	11,200	11,229
2 years to 5 years	15,800	15,887
5 years to 10 years	11,400	11,559
10 years and above	128,400	123,299

Prudential Indicators	2012/13 Budget £'000	2012/13 Actual £'000
Capital expenditure - General Fund Services	8,556	6,637
Capital expenditure - Housing Revenue Account	8,661	9,749
Capital Financing Requirement (CFR) - General Fund	89,551	82,631
Capital Financing Requirement (CFR) - HRA	33,771	32,681
Annual change in CFR - General Fund	(361)	(5,523)
Annual change in CFR - HRA	2,977	1,817
In year borrowing requirement	2,616	(3,706)
Ratio of financing costs to net revenue stream - General Fund	7.94%	7.75%
Ratio of financing costs to net revenue stream - HRA	18.50%	18.01%

## APPENDIX 2: Investment portfolio as at 31st March 2013

### Current Investment List

<b>Borrower</b>	<b>Principal (£)</b>	<b>Interest Rate</b>	<b>Start date</b>	<b>Maturity date</b>	<b>Lowest long term rating</b>	<b>Historic Risk of Default</b>
Clydesdale Bank	4,190	0.75%		Call	BBB+	0.000%
Santander UK Plc	7,416	0.80%		Call	A	0.000%
Bank of Scotland Plc	19,556,072	1.50%		Call	A	0.000%
Bank of Scotland Plc	47,439	0.51%		Call07	A	0.002%
The Royal Bank of Scotland Plc	5,000,000	2.25%	22/05/12	22/05/13	A-	0.013%
Bank of Scotland Plc	5,000,000	2.80%	03/10/12	04/10/13	A	0.048%
<b>Total Investments</b>	<b>29,615,117</b>	<b>1.84%</b>				0.010%



**CLACKMANNANSHIRE COUNCIL**

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**Report to Clackmannanshire Council**

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**Date of Meeting: 27 June 2013**

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**Subject: Vacant/Surplus Council Land and Buildings  
Sales Strategy**

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**Report by: Head of Facilities Management**

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**1.0 Purpose**

- 1.1 This report follows the previous report of the 30th June 2011. It provides an overview of progress and seeks approval for proposed sales and site clearance. These form part of the Property Asset Management Plan 2010-15 and are a fundamental part of the Council's General Services Capital Programme.
- 1.2 This report updates members and seeks authorisation to market vacant/surplus property as appropriate. Approval for individual sales and or acquisitions which exceed the delegated limits of the director of Services to Communities will be the subject of separate detailed future reports to Council. Sales of small parcels of land (such as garden ground) within the scheme of delegation will continue to be implemented where resources permit.

**2.0 Recommendations**

- 2.1 Council is recommended to:
- (a) approve the content of this report and authorise the Head of Facilities Management to progress with marketing and approve the disposal of identified properties as paragraph 3.6; and
  - (b) approves the sum of £320,000 for the site clearance, preparation and demolition for the former Tillicoultry Community Centre, Claremont Primary School (once vacated) and former Fairfield school, funded from additional budget from reserves.

### 3.0 Considerations

#### Background to Strategy

- 3.1 On 23 September 2010, the Council approved the Property Asset Management Plan 2010-2015. In this context the objectives of property assets are to support the core aims of the Council. Equally, unless there is a stated and clear objective to retain vacant/surplus land and property, it should be considered for future sale to realise value. This should be subject to the best price being achieved.

#### Sales Objective

- 3.2 It is the duty of the Council to achieve the best price reasonably obtainable for the sale of surplus assets, except where achieving a lesser financial value meets with other Council priorities, in particular where such disposals would result in improvements to economic development/regeneration, health, social well-being or environmental well-being.

#### Current Surplus Land and Property

- 3.3 Currently there are a number of buildings/land that have been marketed but due to the economic climate sales have not concluded or have fallen through. This report updates previous transactions, decisions and potential opportunities to agree a strategy and work plan over the medium term to maximise value for these assets.

#### Previous Transactions

- 3.4 An update on the previous transactions approved on 30 June 2011 are as follows:

Property Reference	Location	Agreed - Council 30 June 2011	Progress
ALV224	(Part Of) Car Park, Glentana Mill	Council approval received on 4th November 2010 to progress with the sale to Mrs Tilly's Confectionary for the purposes of constructing a production facility to encompass a visitor centre, cafe and shop.	Suspended following withdrawal of interest
ALL059 & ALL060	Library and Shop, Drysdale Street, Alloa	Property has been approved by the Council on the 23rd September 2010 to be sold pending the development of the Speirs Centre and	Sale completed to McDonald & Morson for conversion to dental surgery

		relocation of the library service.	
TUL708	Land at Ditch Farm, Tullibody and Keilarsbrae, Sauchie	Council approval received 2nd June 2011.  Excambion arrangement whereby 15 acres of land will be exchanged with the landowner for 1.96 acres of land at Keilarsbrae, Sauchie for a new bypass	Excambion completed
ALL052	Former Alloa Academy, Claremont, Alloa	Council approval to sell received 16/08/2007.	Sale completed to Bellway Homes
ALL148	Public Convenience, Shillinghill/Maple Court, Alloa	Declared surplus to council requirements, demolish existing building at an estimated cost of £20,000 and market site for sale.	Property retained as operational - Council February 2012
TIL626	Public Convenience, Murray Square, Tillicoultry	Declare surplus to council requirements.  Board up and sale on open market.	Sale completed
TUL712	Public Convenience, Main Street, Tullibody	Declare surplus to council requirements.  Board up and sale on open market.	Sale completed
ALV236	Swimming Pool, Queen Street, Alva	Declared surplus to requirements November 2011	Sale completed to Ochil Leisure Enterprises for retention as a community leisure facility
ALL212	Land at Marshall, Alloa	This piece of land has been offered for sale to Clackmannanshire Council by the NHS. Due to the strategic location and adjacency of key Council buildings (Alloa Town Hall) it is recommended that this area of land be acquired for future strategic development / land banking purposes.	Transaction completed.  Former health centre demolished and site transformed into temporary car park.
TIL624	Tillicoultry Family Centre	Declared Surplus to requirements - Tillicoultry Property Asset Plan Report: 30 June 2011	Following public consultation building refurbished to create new "Ben Cleuch" Centre. Opened November 2012.

TIL617	Tillicoultry Library	Declared Surplus to requirements- Tillicoultry Property Asset Plan Report: 30 June 2011	Library relocated to Ben Cleuch Centre.  Property to be retained and converted to create social housing  Tenders currently issued for procurement.
FIS403	Former Equestrian Centre and land at Fishcross	Declared Surplus to requirements. Council approved disposal to SSPCA for Scottish Wild Life Rescue Centre	Sale completed. Centre fully operational.

### Current Properties for Sale

- 3.5 The following properties are in the process of being marketed/bids considered:

Property Reference	Location	30th June 2011 Position	Progress
TIL637	Ground at Alexandra Street, Devonside	Council approval to sell received 16/08/2007.  Site currently being marketed for sale. Recommendation to progress with marketing.	Currently on the market.
ALV210	Former Alva Academy, Queen Street, Alva	Site identified for residential development on the open market.	Part of the site approved for sale to Tigh Grian, for 48 Social Houses, as outlined in the Council paper on 17 May 2013  Remainder of the site to be subject to further consideration.
TUL707	Development Site, Alloa Road, Tullibody	Council approval to sell received 16/08/2007.  Original bidder accepted however subsequently withdrew.	Capital Stimulus Initiative, Council approval March 2012, Tendered September 2012 bids received currently being evaluated.
SAU517	Land at former Scout Hall, Main Street/Holton Square, Sauchie	Council approval to sell received 23/09/2010.  Property declared as surplus to requirements and the building has been subsequently demolished.  Site to be marketed for sale.	Currently on the market.

DEV330	Land at Crankie Brae, Park Street, Coalsnaughton	<p>Site approved for sale by Council on 13th March 2008.</p> <p>Land forms part of an area being sold to Hazledene (Coalsnaughton) Ltd and is subject to conclusion of missives.</p>	<p>Developer has failed to comply with terms and conditions of the missives due to the depressed state of the private residential market.</p> <p>Unlikely to proceed in the medium term.</p> <p>Unlikely to proceed in the medium term</p>
ALL103 & ALL105	19 Mar Street, Alloa	<p>Council approval to sell received 23/09/2010.</p> <p>Property declared as surplus to requirements and consultation required with current tenants to discuss alternative premises.</p> <p>Property to be marketed for sale.</p>	Offer received for sale possession in August 2013.
COA302	Coalsnaughton Playing Field (Part Of)	<p>Council approval received 31st May 2007.</p> <p>Land forms part of a proposed access route to a potential residential development scheme for Hazledean (Coalsnaughton) Ltd. Site in process of being sold subject to conditional missives.</p>	<p>Developer has failed to comply with terms and conditions of the missives due to the depressed state of the private residential market.</p> <p>Unlikely to proceed in the medium term.</p>
SAU537	Former Fairfield School, Pompee Road, Sauchie	Declared surplus to requirements 16/08/2007.	<p>Marketed for second time in 2012 and low offer received but rejected as below market value.</p> <p>Proposed to use site for social housing as part of 2013 SHIP.</p> <p>Approval sought to clear site and demolish.</p>
ALL005 & ALL008	8-10 District Court & IT Suites, 14 Bank Street, Alloa	Declared properties surplus to Council requirements and proceed with marketing and sale on open market.	Marketing delayed, using as decant accommodation for Speirs. Alternative use feasibility study ongoing.
ALL095 & ALL096	15 Mar Street, Alloa	<p>Property currently vacant.</p> <p>Declared surplus to requirement.</p>	Remaining as temporary museum archive store until Speirs Centre is completed

ALL099	15A Mar Street, Alloa	Declared surplus to Council requirements.	Development potential being investigated
ALL090	6 Marshall (Marcelle House), Alloa	Declare surplus to requirements. Retain vacant / short term leases for purposes of site assembly of complete Marshall site.	Not currently marketed. Short term lease concluded to provide decant accommodation for Maker's Village artists during refurbishment of their accommodation.
ALL100	Store at 16 Mar Street, Alloa	Declared surplus to requirements.	Remaining in temporary use until Speirs Centre is completed thereafter marketing will commence.
TIL624	Tillicoultry Community Centre		Closed and declared surplus to requirements December 2011  Capital Stimulus Initiative, Council approval March 2012, Tendered September 2012 bids received currently being evaluated.  Approval sought to clear site and demolish.
ALL128	Greenfield House	As part of the office rationalisation programme and transfer to Kilncraigs the Council's Headquarters at Greenfield has been declared surplus and is to be disposed of.	Marketing material and due diligence underway. Advertising and mail shots to follow
ALL112	Limetree House	As part of the office rationalisation programme and transfer to Kilncraigs the office at Lime Tree House has been declared surplus and is to be disposed of.	Marketing material and due diligence underway. Advertising and mail shots to follow

### Properties to be Declared Surplus

- 3.6 The following properties should also be declared surplus with associated actions:

<b>Property Reference</b>	<b>Location</b>	<b>Recommendation</b>	<b>Comment</b>
ALL092	Marshall House	To be declared surplus to requirements. Retain vacant / short term leases for purposes of site assembly of complete Marshall site.	Existing occupiers being accommodated in Speirs and other Alloa properties.
ALL154	Claremont Primary School	Existing school to be demolished and declared surplus to requirements in conjunction with the completion of the new Redwell Primary.	Continue in operation until vacated. Approval sought to clear site and demolish.  Marketing to commence in 2013.
FIS412	Fields 4 & 5 Fishcross	To be declared surplus and marketed.	To be sold - possibly consider auction sale dependent on open market outcome.
ALL078	St Johns Primary School Grange road Alloa	To be declared surplus in conjunction with the completion of the new Redwell Primary	Continue in operation until vacated.  Current feasibility study ongoing.
MEN457	Glenochil Nursery	Property to be declared surplus and sold after desired use being agreed in Local Plan process.	Nursery not operational. Social Services using small part of site.
	Janitor's House Park Primary School	Property to be declared surplus and transferred to the HRA.	House currently occupied by janitor proposal to move to formal tenancy agreement.
TUL708	Ditch Farm - steading	To be declared surplus and marketed.	Subject to existing lease - expires August 2013.
TUL709	Ditch Farm - farmland	To be declared surplus	Subject to existing lease - expires November 2016.

### Prevailing Market and Economic Conditions

- 3.7 The overriding economic conditions have had a depressing effect on the property market which has suffered a marked decline from a high in 2007. There are some signs that the market for the purchase of development sites within Clackmannanshire have improved since the last report.
- 3.8 The implementation of empty rates charges on vacant property will increase costs to the Council, therefore active consideration should be given to the demolition of surplus buildings where the retention of the building by any potential purchaser would be unlikely.

### Vacant Buildings

- 3.9 The report recommends that the former Fairfield School, Tillicoultry Community Centre, and Claremont Primary School are all demolished to minimise ongoing revenue costs and to ensure the safety and security of these areas. The sites are considered surplus to any service's requirements and the properties are not considered now, or in the case of Claremont in the future, to have a use. If the Council vacates a building there remains a duty to maintain the property to ensure it does not become unsafe. A vacated building will be the subject of possibility of increased vandalism and there are significant costs in securing a building until a purchaser is found and plans for redevelopment are made. Normally ancillary costs of sale, such as temporary boarding/security costs/demolitions, will be offset against expected capital receipts. This report highlights the requirement for demolition costs to progress some of these sales. This expenditure will avoid ongoing revenue costs with these properties. The revenue cost has been increased due to the implementation of empty rates on vacant surplus buildings. This expenditure will be recovered when the property is sold and at the same time reduces the revenue expenditure as highlighted above.
- 3.10 As approved in the previous Council Report, 30th June 2011, it is the recommendation of Facilities Management that if the building is unlikely to be used as part of a purchase (i.e. it would be demolished by the purchaser), specific recommendations are made to the Council for the building to be demolished and an allocated budget provision made for such a course of action.

### Sustainability Implications

- 3.11 In adhering to the objectives of the Property Asset Management Plan and the accompanying sales and marketing strategy the Council will effect a reduction in costs of overall property while generating capital receipts to contribute towards agreed Council priorities and services.
- 3.12 The carbon footprint of the Council will be reduced if there is a reduction in operational property.
- 3.13 The future development of sites and properties will enable sterile land to be brought into productive use while benefitting job creation and environmental improvement.

## **4.0 Resource Implications**

### *4.1. Financial Details*

- 4.2. The full financial implications of the recommendations are not set out in the report. Anticipated values for land have been excluded from this public report.

Yes ☒ No ☐

4.3. Finance have been consulted and have agreed the financial implications as set out in the report.

4.4. Legal have been consulted and have agreed the legal implications as set out in the report.

4.5. *Staffing*

The current team is resourced to bring forward this strategy using external resources as necessary to support distinct marketing strategies.

## 5.0 Exempt Reports

5.1. Is this report exempt? Yes ☐ (please detail the reasons for exemption below)  
No ☒

## 6.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box ☒)

The area has a positive image and attracts people and businesses	<input checked="" type="checkbox"/>
Our communities are more cohesive and inclusive	<input checked="" type="checkbox"/>
People are better skilled, trained and ready for learning and employment	<input checked="" type="checkbox"/>
Our communities are safer	<input type="checkbox"/>
Vulnerable people and families are supported	<input type="checkbox"/>
Substance misuse and its effects are reduced	<input type="checkbox"/>
Health is improving and health inequalities are reducing	<input type="checkbox"/>
The environment is protected and enhanced for all	<input checked="" type="checkbox"/>
The Council is effective, efficient and recognised for excellence	<input checked="" type="checkbox"/>

(2) **Council Policies** (Please detail)

Property Asset Management Plan 2010-2015

2013/14 General Services Capital Plan

## **7.0 Equalities Impact**

- 7.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes ☒ No ☐

## **8.0 Legality**

- 8.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers.

Yes ☒

## **9.0 Appendices**

- 9.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix I - Indicative Property Information Sheets

## **10.0 Background Papers**

- 10.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes ☒ (please list the documents below) No

Vacant/Surplus Council Land and Buildings Sales and Acquisition  
Strategy - 30 June 2011

### **Author(s)**

<b>NAME</b>	<b>DESIGNATION</b>	<b>TEL NO / EXTENSION</b>
Eileen Turnbull	FM Services Manager	452460

### **Approved by**

<b>NAME</b>	<b>DESIGNATION</b>	<b>SIGNATURE</b>
Stephen Crawford	Head of Facilities Management	Signed: S Crawford
Garry Dallas	Director of Services to Communities	Signed: G Dallas

## APPENDIX 1

### Current Properties For Sale

#### TIL637 Ground at Alexandra Street, Devonside

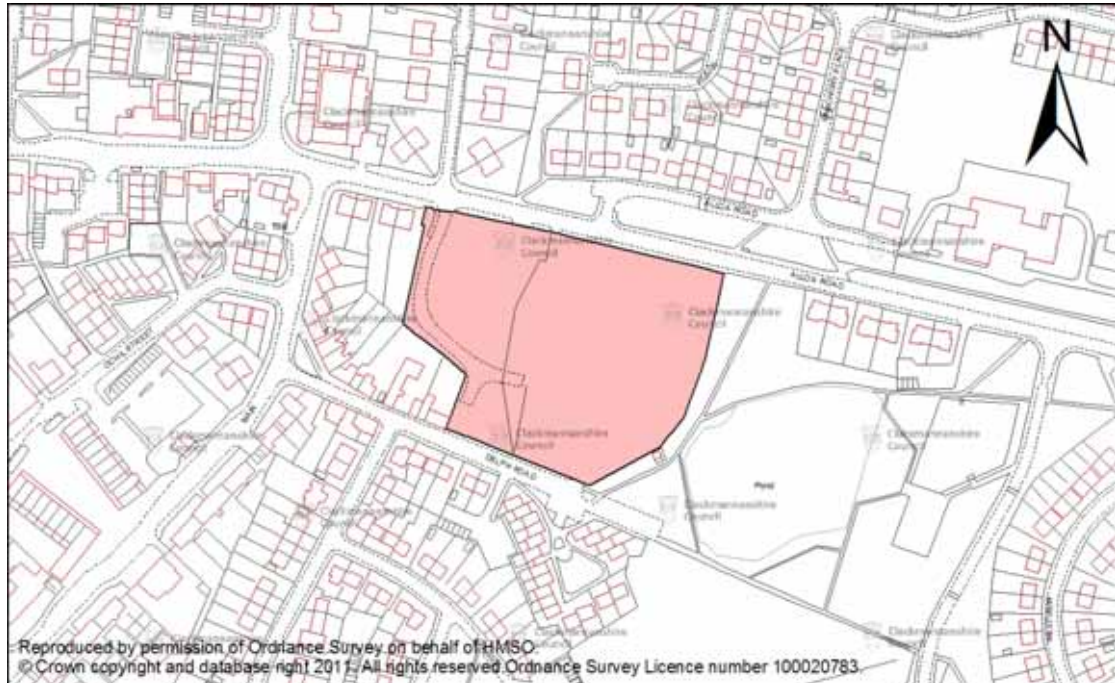


#### ALV210 Former Alva Academy, Queen Street, Alva

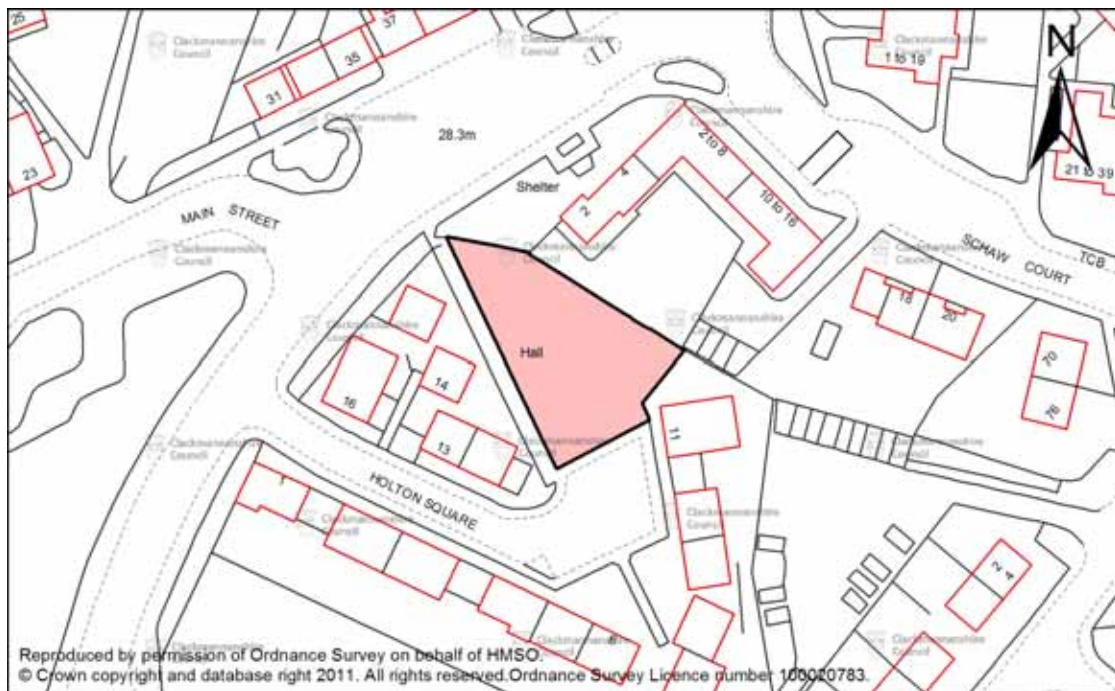


## Current Properties for Sale

### TUL707 Development Site, Alloa Road, Tullibody



### SAU517 Land at former Scout Hall, Main Street/Holton Square, Sauchie

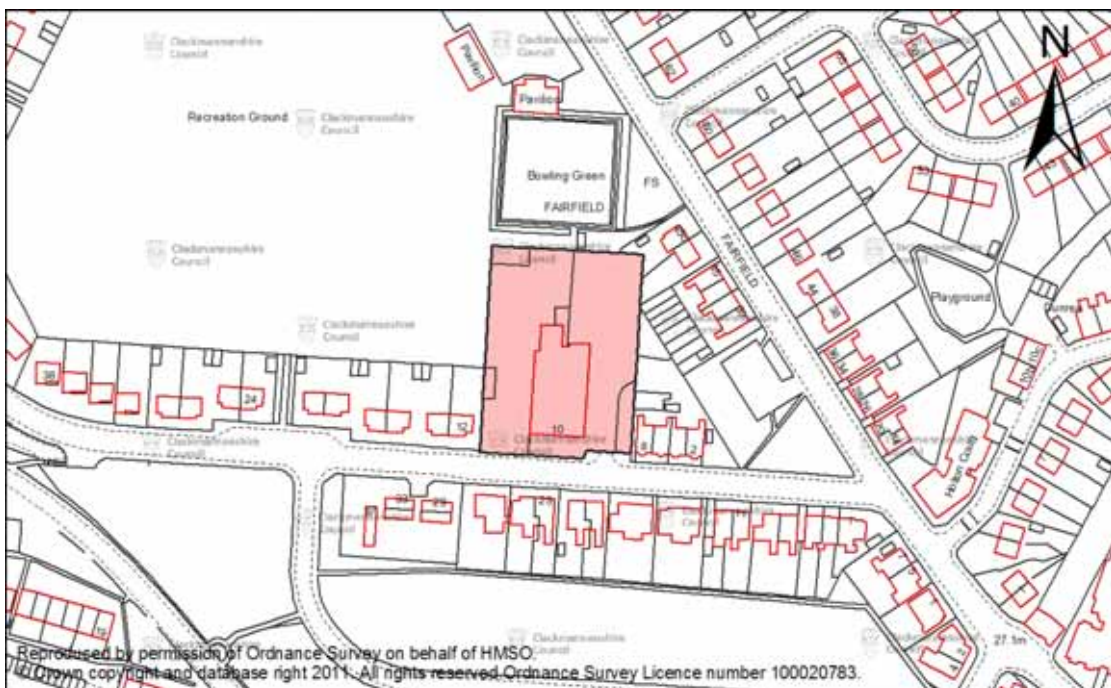


## Current Properties for Sale

**ALL102/5 19 Mar Street, Alloa**

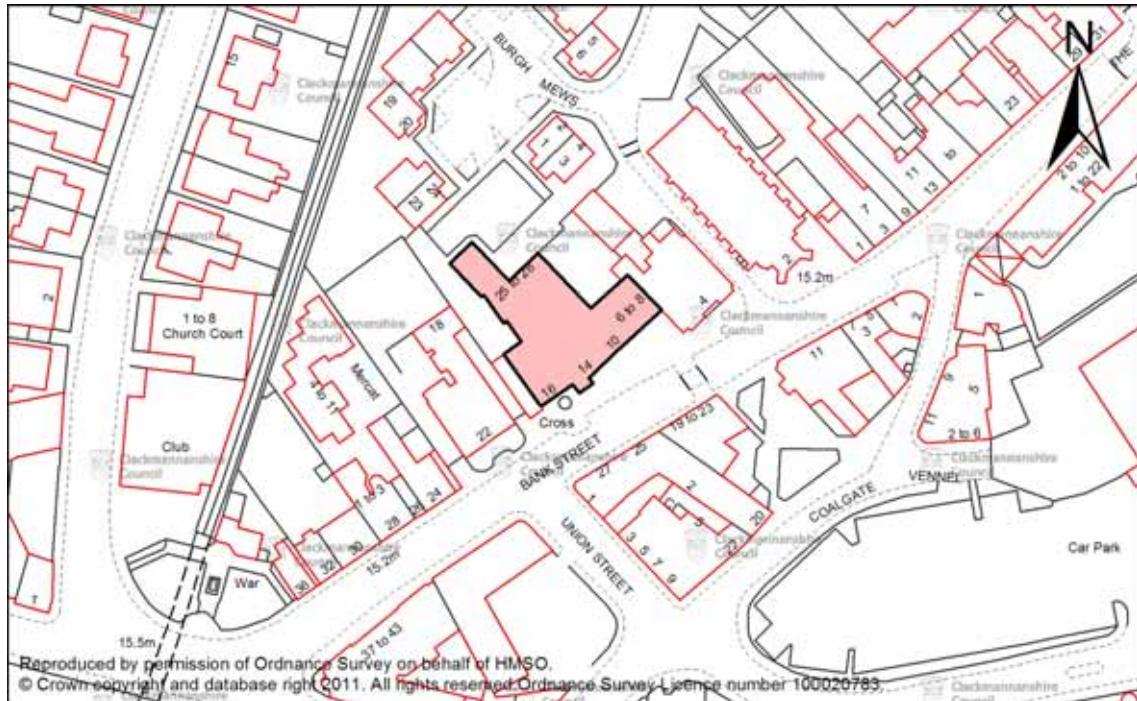


**SAU537 Fairfield School, Pompee Road, Sauchie**

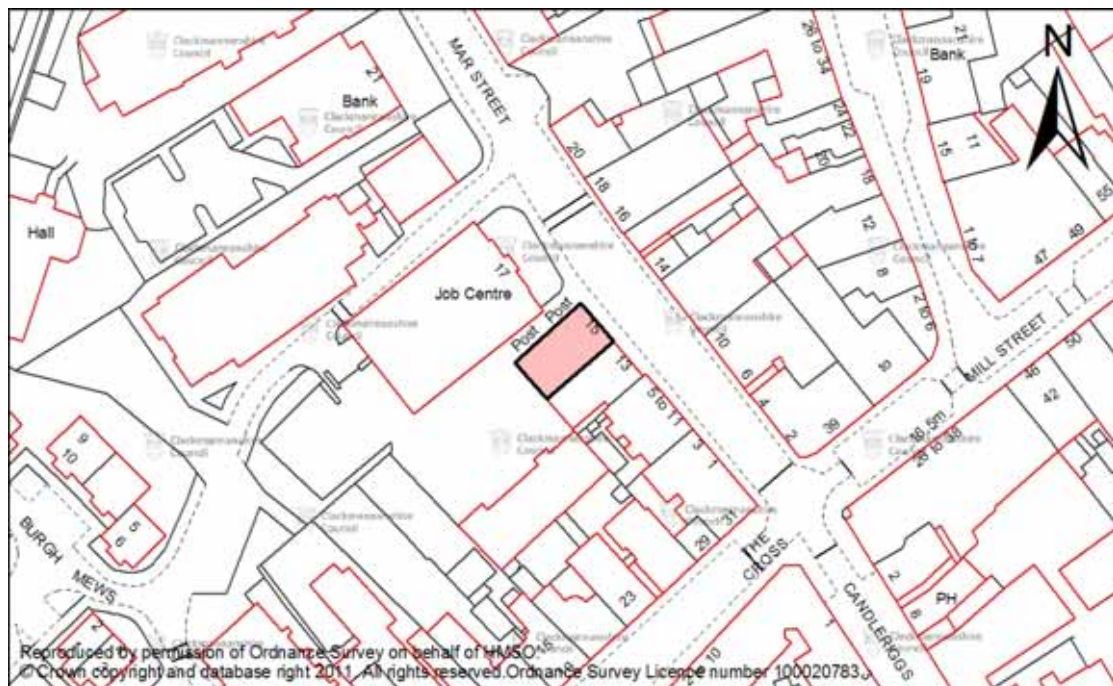


## Current Properties for Sale

**ALL005 & ALL008    8-10 Bank Street, District Court / IT Suite and  
14 Bank Street, Alloa**



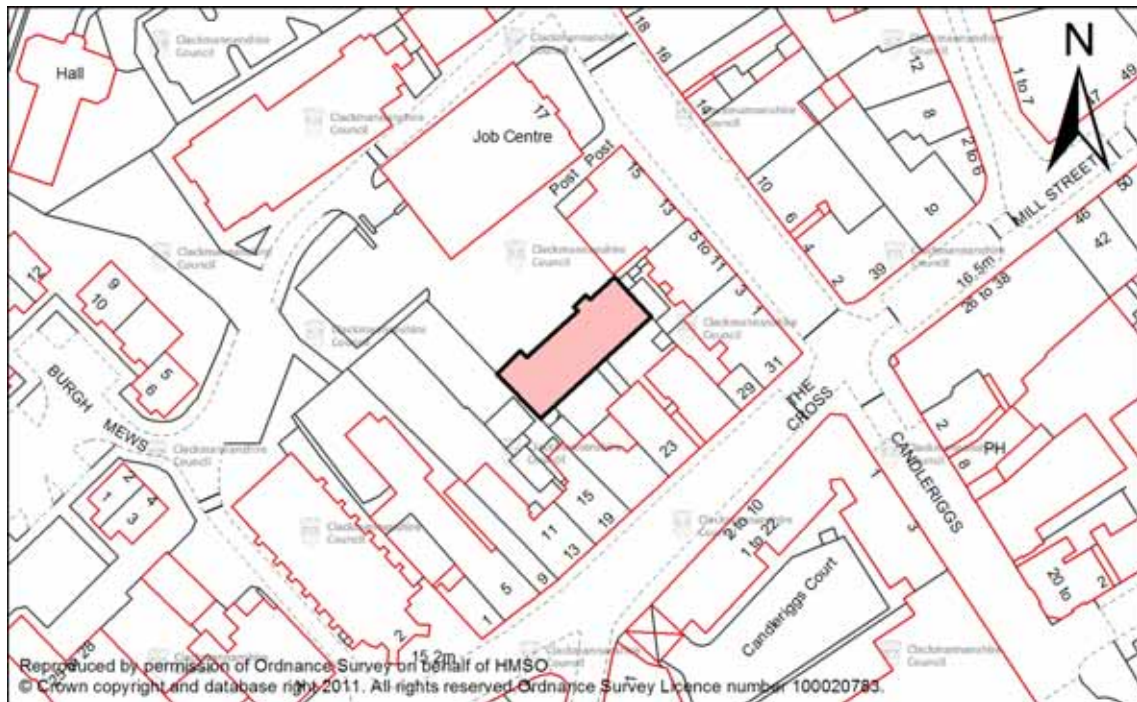
**ALL095/96    15 Mar Street, Alloa**



## Current Properties for Sale

**ALL099**

**15A Mar Street, Alloa**



**ALL090 6 Marshill, Alloa**



## Current Properties for Sale

**ALL100**      **Store at 16 Mar Street, Alloa**



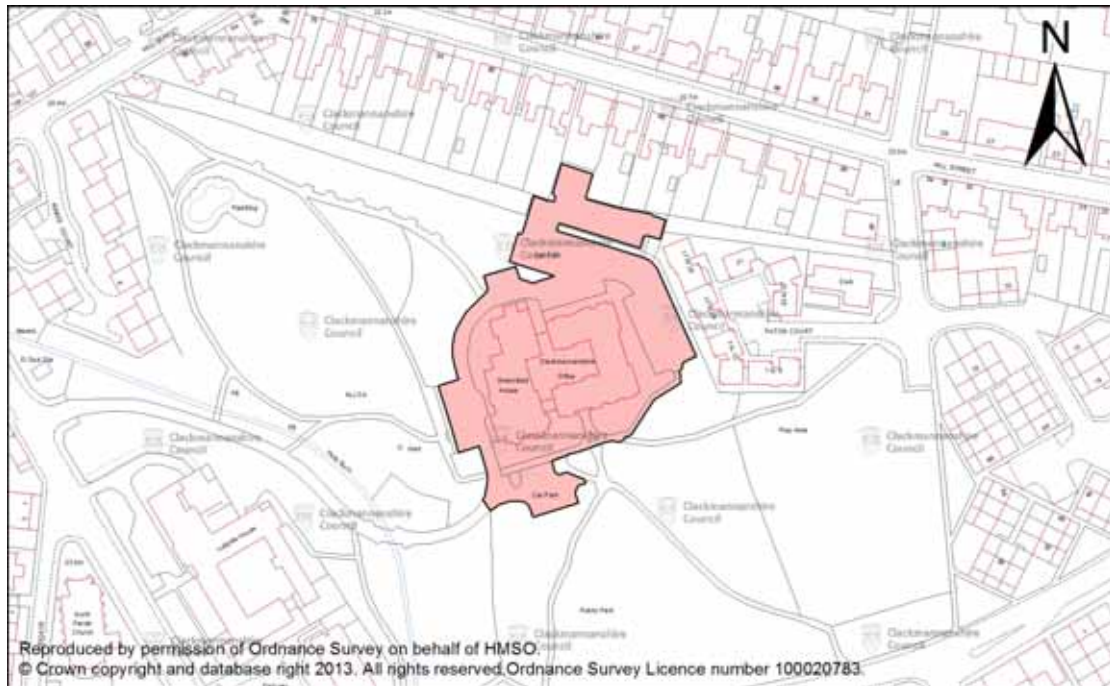
## Current Properties for Sale

**TIL624**      **Tillicoultry Community Centre, Institution Place, Tillicoultry**

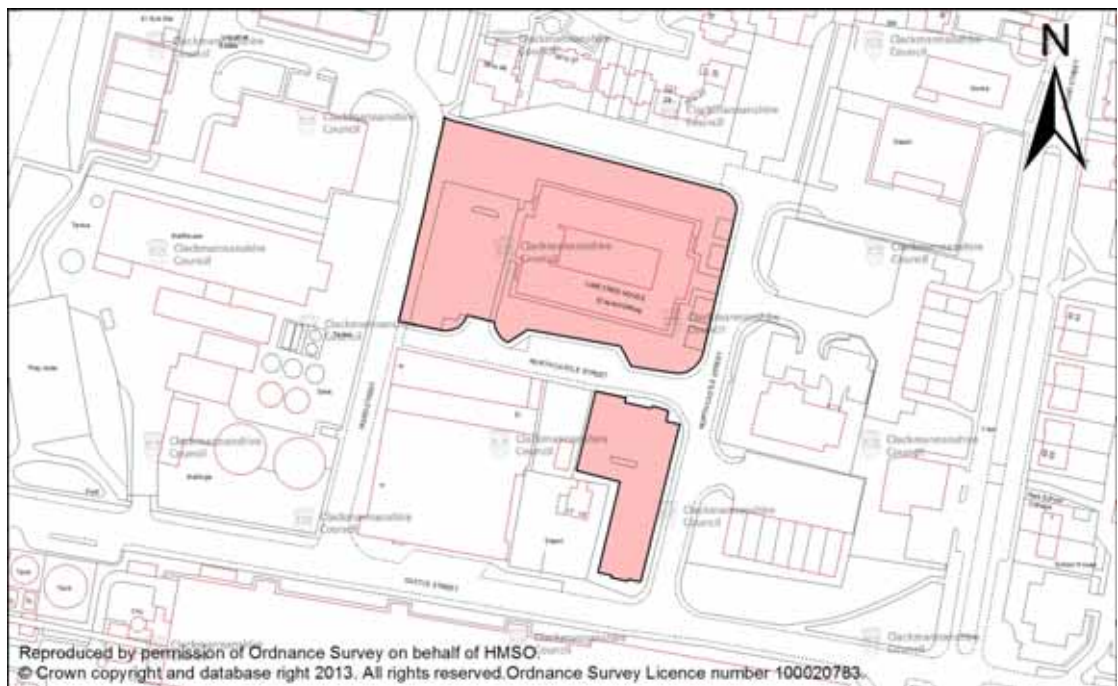


## Current Properties for Sale

**ALL128     Greenfield House, Tullibody Road, Alloa**



**ALL112     Lime Tree House, Castle Street, Alloa**



## Properties to be Declared Surplus

### ALL092 Marshall House, Marshall, Alloa

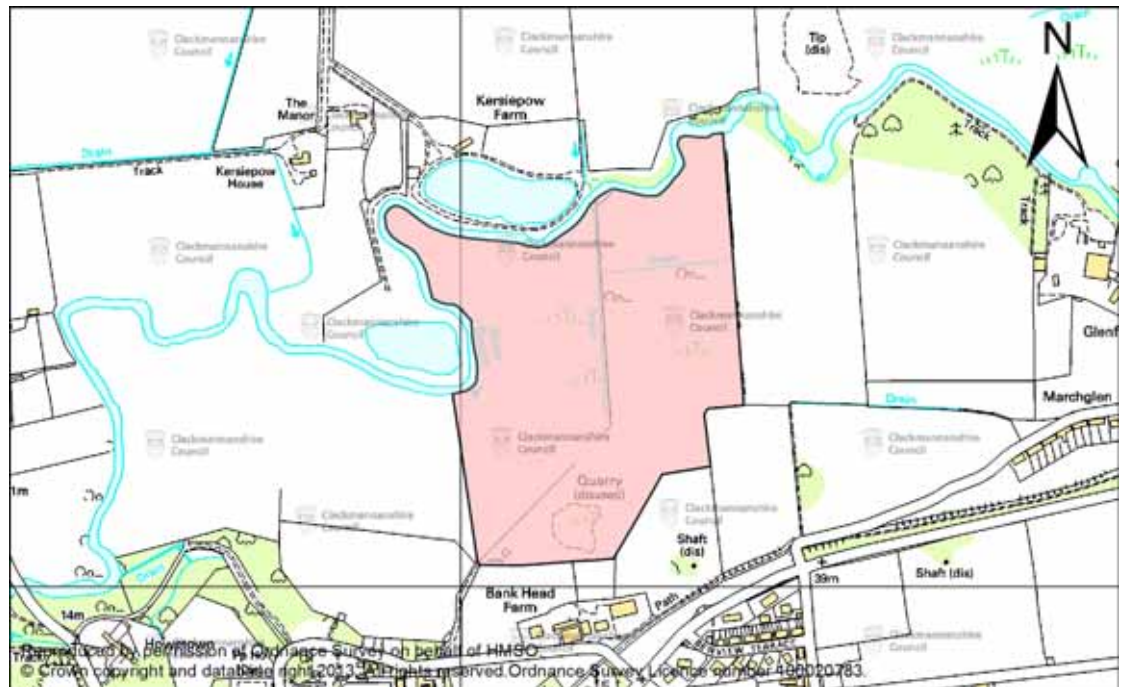


## Properties to be Declared Surplus

### ALL154 Claremont Primary School, Carse Terrace, Alloa



**FIS412      Field 4 & 5 Fishcross**



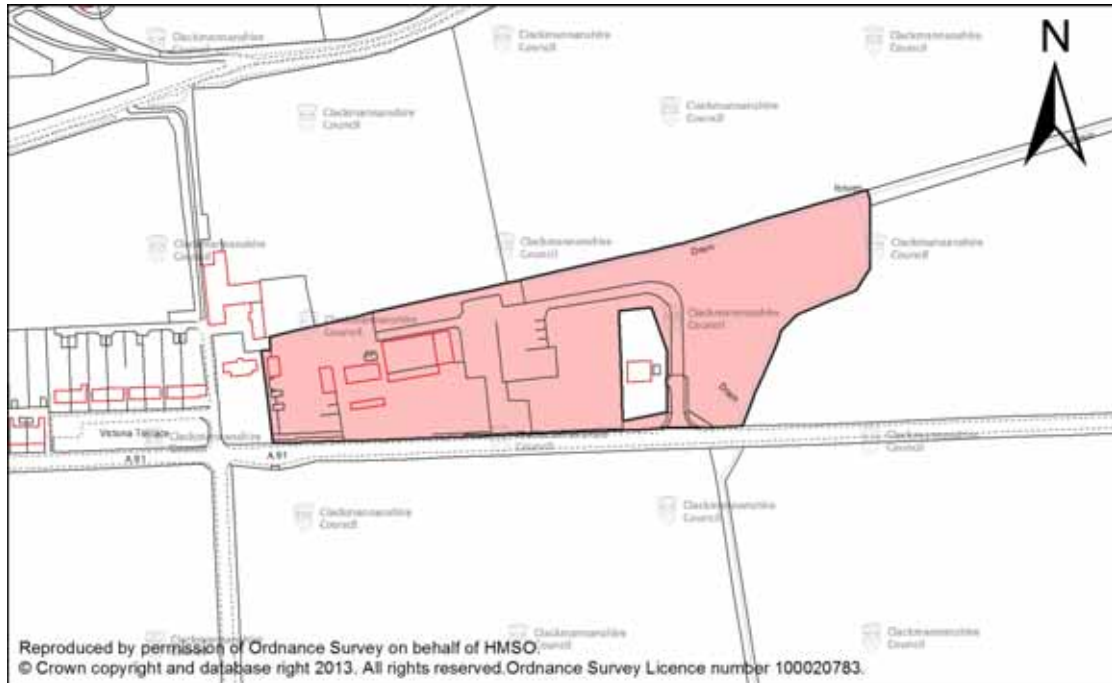
**Properties to be Declared Surplus**

**ALL078      St Johns Primary School, Grange Road, Alloa**



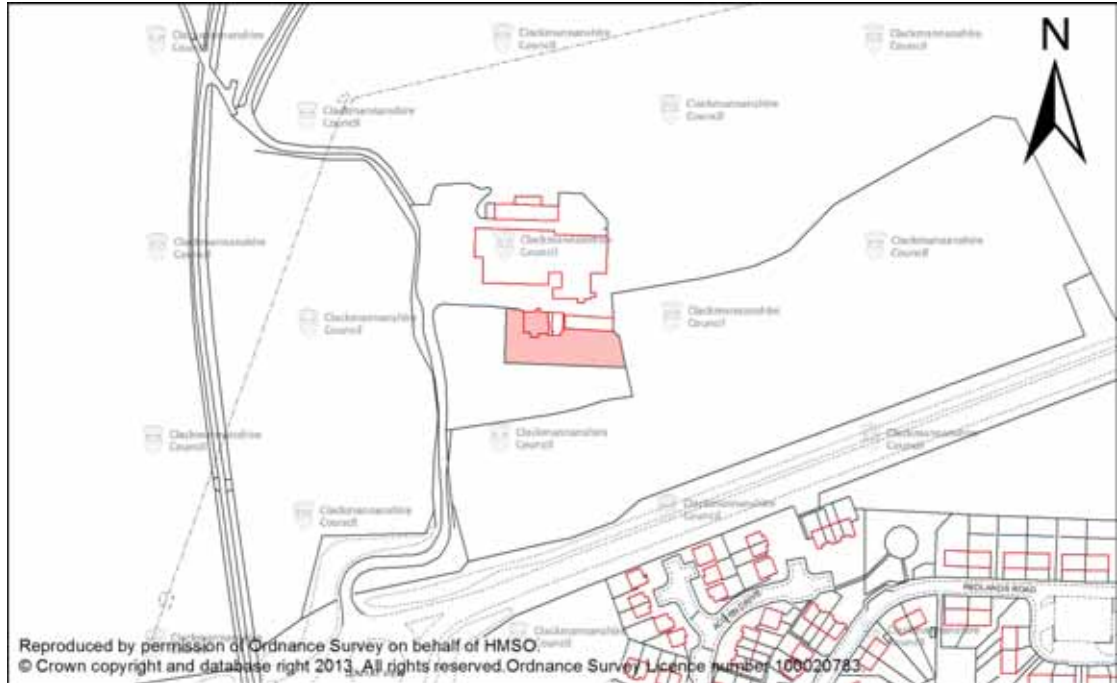
## Properties to be Declared Surplus

**MEN457      Glenochil**



## Properties to be declared surplus

### **TUL708      Ditch Farm - steadings**



### **TUL709      Ditch Farm - land**

