ABERDEEN CITY COUNCIL

COMMITTEE	Finance & Resources
DATE	21 June 2012
DIRECTOR	Gordon McIntosh
TITLE OF REPORT	Financial Protocol for Surplus & Vacant Properties
REPORT NUMBER:	EPI/12/130

1. PURPOSE OF REPORT

To advise the Committee of the intention to implement the recently produced Financial Protocol for Surplus & Vacant Properties.

2. RECOMMENDATION

1. Approve the Financial Protocol for Surplus & Vacant Properties and instruct that it is fully implemented.

3. FINANCIAL IMPLICATIONS

As detailed in **Appendix A** when a property is declared surplus the associated budget is transferred to the Surplus & Vacant Property Contingency budget.

4. OTHER IMPLICATIONS

None

5. BACKGROUND/MAIN ISSUES

The protocol was created in response to a need to appropriately fund the management of vacant assets. The protocol is shown in Appendix A. The Protocol should be read as an Appendix to the Surplus Property Procedure approved by the Finance & Resources Committee on 29 September 2011 (article 30, page 15 of minutes).

Key elements of the Protocol are:-

- The generic policy that Services should be aware of and adhere to is “the budget follows the building”.
- When a property is declared surplus the associated budget is transferred to the Surplus & Vacant Property Contingency budget.
- Services should only hold budgets for vacant properties if the Service intends to retain the property for future use.

- If a property is to be transferred directly to another Service for new use, the property budgets should follow.
- All property costs incurred after the Committee date should be met from the Surplus and Vacant Property Contingency budget and not charged to the Service.
- The cost of clearing the asset falls to the Service declaring the asset surplus
- Any savings achieved on the original budgets (e.g. rates rebate) will be retained to support necessary maintenance and security pending formal sale of the property.
- The Surplus and Vacant Property Contingency budget will be reassessed each year as part of the annual exercise and the savings achieved on disposals will be used to offset the burden of increasing property costs across the Council.

The Financial Protocol for Surplus & Vacant Properties was approved by the Corporate Asset Group on 21 March 2012. It was subsequently approved by CMT at its meeting on 5 April 2012.

This report seeks approval to implement the Protocol.

6. IMPACT

Corporate - Within the single Outcome Agreement there is a requirement for the Council to make the best use of all resources, this policy helps achieve this.

Public - None

7. BACKGROUND PAPERS

Surplus Property Procedure approved by the Finance & Resources Committee on 29 September 2011(article 30, page 15 of minutes).

8. REPORT AUTHOR DETAILS

Alastair Reid
Team Leader – Asset Management
alareid@aberdeencity.gov.uk
☎ 01224 52(2627)

Appendix A - Financial Protocol for Surplus & Vacant Properties

This Protocol should be read as an Appendix to the Surplus and Vacant Property Procedure approved by the Finance & Resources Committee on 29 September 2011.

The generic policy that Services should be aware of and adhere to is “the budget follows the building”.

Services should be aware that some budget headings no longer need to be included in the Surplus & Vacant Property procedures as they have been consolidated for management within EP&I or H&E as a result of the removal of internal recharges exercise. These include Property Repairs; Internal Building Cleaning; Grounds Maintenance etc. This may be extended to other budget headings such as Refuse Collection (bulk bins) in due course.

Services now have Asset Management Plans which detail the property resources required to deliver their services, and which must be reviewed annually. These Plans should indicate those properties which are likely to be declared surplus to a Service’s requirements. The Plan and its implications should always be discussed with members of the Asset Management Team within EP&I. It must be understood that an inclusion of a property as “surplus” within an approved Service Asset Management Plan immediately commences the first stage of the Surplus & Vacant Property Procedure. Any queries on budgetary implications should also be discussed with the Service’s assigned Finance Partner or the Budgeting Team.

Budgets for Business Rates and Utilities are now set corporately alongside the annual Priority Based Budgeting exercise. The new zero-based budget approach to these budget headings will incorporate budget increases to cover anticipated inflation on utility contracts and changes in rateable value. Underspends achieved on any of these budgets headings may be reported as assisting the service to stay within budget in any given financial year, but should never be considered available for budget virement within the Service. The Surplus and Vacant Property Contingency budgets for Business Rates and Utilities are now held by the Asset Management’s Estates Team.

Services should only hold budgets for vacant properties if the Service intends to retain the property for future use.

If a property is to be transferred directly to another Service for new use, the property budgets should follow. In these circumstances it is acceptable to move the budgets directly from Service to Service, provided both Services agree on the date of transfer.

Under no circumstances should Services assume that budgets for Business Rates or Utilities are available to be retained within their revenue budgets when a property is declared surplus at a Service Committee

When a Service receives Committee approval to declare a property surplus, the officer writing the report should contact the Budgeting Team who will arrange for the property budgets to be moved to the Surplus & Vacant Property Contingency budget. All property costs incurred after the Committee date should be met from the Surplus and Vacant Property Contingency budget and not charged to the Service. It is assumed that the property will be handed over at this time, completely cleared of furniture and equipment, with all appropriate Health and Safety manuals, keys, alarm codes etc. The costs for this should be met from the Service's existing budget.

Once a property is formally declared surplus to the Council, officers within Asset Management will assess the property for rebates on Business Rates and other appropriate budgetary savings (including possible disconnection of utilities). Any savings achieved, at this stage, on the original budgets will be retained to support necessary maintenance and security pending formal sale of the property.

The Surplus and Vacant Property Contingency budget will be reassessed each year as part of the annual exercise and the savings achieved on disposals will be used to offset the burden of increasing property costs across the Council. This should benefit all Services by reducing the requirement for additional budget reductions on non-property budgets through PBB.

Scott Paterson	Mike Duncan
Accountant (Budgeting Team)	General Manager – Asset Management
Finance	Asset Management & Operations
Corporate Governance	EP&I