

7. GILBERTHORPES SCHOOL – BARNARDOS CRECHE

Officer responsible Property Manager	Author Bill Binns, Property Asset Officer, DDI 941 8504 John Mackey, Principal Accountant, DDI 941 8984
Corporate Plan Output: Commercial Property	

The purpose of this report is to advise the Board that the Principal Accountant has recommended to the Strategy and Finance Committee that it sells the former Riccarton Borough Council's amenity building which is leased to Barnardos.

BRIEF HISTORY

In September 1994 the Council received a request from the Springs Community Preschool seeking support regarding accommodation because the Elim Church property from which they were operating was to be sold.

The Community Board supported this request and funds were allocated in the 1995 / 1996 budget for a new preschool to be built. In the interim the preschool was granted use of this building. The building was converted into a preschool to meet the Ministry of Education's guidelines for crèches.

Springs Community Preschool vacated the building in March 1998. Prior to this however, the Council had received a request from Friendship House Creche for assistance.

In May 1999 a report was presented to the Riccarton/Wigram Community Board seeking approval that the former Riccarton Borough Council's amenity building be relocated to the Gilberthorpe School grounds where it would be used as a crèche operated by Barnardos. The outcome of this request resulted in Barnardos taking over the management of the crèche on their present site, whilst pursuing the option of obtaining a building and land to relocate to.

Councillor Keast approached the Property Manager to see if once the Springs Community Preschool vacated the building on the Sockburn Yard site it could be made available for Barnardos to shift to a suitable site. Because the building had been altered to meet crèche standards it was agreed this was the best use to put this building to. The Community Board approved the relocation of the building to the Gilberthorpe School grounds provided that a lease be entered into and that the building was registered under the Chattels Transfer Act to protect the Council's ownership in the building. The conditions have been complied with.

PROPERTY RENTAL

Under the chattels lease, Barnardos are to pay the Council \$1 per annum. However, so that the Property Unit is not disadvantaged by losing rental from this building and to provide transparency the Community Relations Unit are charged with the annual rental of \$8,400. Simes Valuation carry out the Council's rental revaluations every three years. This building is currently being revalued.

SALE OF THE BUILDING

The Council's Principal Accountant comments:

"As Barnardos have built additional buildings that incorporate the former Riccarton Borough Council's amenity building as an integral part of its operation at Gilberthorpe's School, there are major logistical issues for all parties involved if the Council was to terminate the lease and seek the return of the building. The additional building constructed by Barnardos New Zealand, in conjunction with the earlier decisions to relocate the building and lease it at a peppercorn rental to Barnardos effectively meant that the Council has made a grant to Barnardos. The amount of this grant is the value of the building. This position needs to be reflected in the Council's financial statements for the year ended 30 June 2002.

The recommended approach to handling this is as follows:

- 1. The building should be sold to Barnardos at its current valuation \$70,000.*
- 2. A grant should be made to Barnardos for the sale price.*
- 3. Off-setting budgets should be established for both the sale proceeds and the grant.*

4. *The operational costs shown in the 2002 / 2003 of \$4,579 should be removed from the budget as well as the level of rental (\$8,400).*
5. *Remove the rental from the Property and Community Services Budget for 2002 / 2003. The net effect of this will be a saving to the Council of \$4,579.*

The advantage of this approach is that legal ownership of the building will be transferred to Barnardos in a manner that will be simple for them to record in their financial statements. It will also mean that the true level of Council support for this early childhood education centre is recorded in a simple manner in the Council's accounting records and there is not an erroneous loss recorded on the disposal of the building.

The donation then would also qualify for a tax deduction that would reduce the Council's group taxation by 33% of the amount of the grant".

The Community Secretary advises:

At its meeting held on 23 May 2002 the Council **resolved** to

- adopt the advice of the Principal Accountant
- that the necessary financial implications be reflected in the 2002/03 annual budget
- that the Director of Finance be granted delegated authority to conclude the arrangement outlined in the report
- that these arrangements include the proviso that the building revert back to the Council in the event that it ceases to be used by Barnardos.

Recommendation: That this information be received.

Chairman's

Recommendation: That this information be received.