

## 1. GILBERTHORPES SCHOOL – BARNARDOS CRECHE

<b>Officer responsible</b> Property Manager	<b>Authors</b> Bill Binns, Property Asset Officer, DDI 941-8504 John Mackey, Principal Accountant, DDI 941-8984
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The purpose of this report is to ask the Council to remove the condition imposed on the approval to sell the former Riccarton Borough Council's amenity building at its meeting on 23 May 2002. The building has been converted into a creche and is leased to Barnardos.

### BACKGROUND

The Council resolved to adopt the recommendations "subject to the proviso that any arrangements concluded by the Director of Finance under delegated authority are to provide that the building is to revert to the Council, in the event that it ceases to be used by Barnardos".

The Chief Executive of Barnardos, Ian Calder, has advised that the proviso was not acceptable to Barnardos. Barnardos has invested more than \$60,000 in the *adjoining* buildings and do not want to compromise that investment. However, Barnardos would consider the proviso if it was for a shorter period such as three years.

### ISSUES

The key issue is whether the proviso that "any arrangements concluded by the Director of Finance under delegated authority are to provide that the building is to revert to the Council, in the event that the building ceases to be used by Barnardos", assists in the achievement of the Council's objectives for promoting early childhood education and care.

The former Riccarton Borough Council's amenity building has now been joined to and incorporated in the complex that forms the Barnardos' creche located at Gilberthorpes School. The building cannot effectively be removed without major damage to the structures that Barnardos have erected around it.

In the short to medium term, Barnardos would only cease its creche operation at this site if legal changes adversely affected the viability of the operation. The site cannot be sold to another party being part of the school and clearly any alternative use would be education related.

From Barnardos' perspective, the proviso can be viewed as imposing an additional, legally binding obligation on the organisation that hinders rather than helps them promote early childhood education and care.

Barnardos has the option of continuing to lease the building from the Council and that avoids taking on the obligation above plus the ongoing ownership obligations related to the building.

If Barnardos chooses to continue to lease the building then the Council will also lose a tax deduction of 33% of the amount of the grant made.

### SALE OF THE BUILDING

The Principal Accountant's recommended approach to handling this situation is as follows:

1. *The building should be sold to Barnardos at its current valuation \$70,000 subject to the proviso that any arrangements concluded by the Director of Finance under delegated authority are to provide that the building is to revert to the Council, in the event that the building ceases to be used by Barnardos in the next three years.*
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 2002/03 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.*

- Recommendation:**
1. That the advice of the Principal Accountant be adopted.
  2. That the necessary financial implications be reflected in the 2002/2003 annual budget.
  3. That the Director of Finance be granted delegated authority to conclude the arrangements outlined in the report.