

WG Little Trust Fund Properties

COUNCIL

Date: 8th November 2012

Author: Cabinet Member for Finance and Board Director of Finance,
Revenues, Benefits & Property

Parish / Wards Affected: All

Purpose

- To seek approval to dispose of property assets held within the WG Little Trust Fund to gain a better financial return for the Trust Fund.

Recommendation

Council is asked to agree that:

- The properties at 1 & 3 Faringdon Road, Swindon are disposed of and their sale proceeds invested for the continued benefit of the Trust;
- Authorise the Director of Law and Democratic Services, in consultation with the Cabinet Member for Finance and the Board Director of Finance, Revenues, Benefits and Property, to complete the sale of those properties on such terms and conditions as he thinks reasonable in order to protect the interests of the Council
- If officers consider that the Fund would receive a greater financial return by investing the sale proceeds in future investment property, the Board Director of Finance, Revenues, Benefits and Property be authorised to make further property purchases.

1. Reasons

1.1 The properties at 1 & 3 Faringdon Road are in increasing need of repair and annual maintenance and it is the professional view of the Council's Property Team that the WG Little Trust Fund would gain greater financial benefit from disposing of its two properties than it would from retaining them.

1.2 Council agreed on 18th May 2012 that "in respect of any strategic changes to the physical assets within the Funds" the matter be referred to Council.

2. Detail

2.1 The WG Little Charitable Trust Fund owns the properties of 1 & 3 Faringdon Road, Swindon. Historically, the income from the rental of these properties has been added to the investment income generated from cash balances within the Fund to create an annual sum of money that has been spent on supporting young people from low income households in education, including funding school uniforms in recent years. All of the Trust Fund assets are managed separately from the Council's and, as Trustee, the Council has a statutory obligation to manage the finances of the Trust Fund in a way that maximises their value.

Further information on the subject of this report can be obtained from *Type Contact Person here* on *Direct Dial No. here* or Email *Type Employee here@swindon.gov.uk*.

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- 2.2 Despite attempts to let the property, number 3 Faringdon Road has been empty for some years with prospective tenants being put off by the scale of repairs required. Number 1 is occupied by the Citizens Advice Bureau but again is in need of modernising.
- 2.3 The refurbishment costs are estimated at around £100k for each property. The current cash balance on the Trust Fund is only marginally greater than this which, if spent, would leave no investment interest to generate income for future awards.
- 2.4 Any decision taken on the future of these properties needs to be taken in the interests of maximising income for the Trust Fund, not to achieve any wider benefits the Council may see. Recognising the poor state of repair of the buildings, an independent report was commissioned for the Property Team to undertake an investment appraisal. Their report concluded that in order to secure the best financial return for the Trust, the properties should be disposed of and the capital receipts reinvested in the Trust Fund. The full report was shared with the Lead and Shadow Members for Finance and both support the proposal to dispose of these properties on the open market.
- 2.5 The Council is working with the Citizens Advice Bureau to ensure that alternative accommodation is secured for it.
- 2.6 The receipt generated from the disposal of the two properties would be invested on behalf of the Trust Fund with the annual income being used for the awarding of grants only. The existing balance on the funds would be used to provide stability of the amount available annually in award making. The amount that is generated from the asset disposal would be deemed a capital investment and this amount would be kept in perpetuity to generate investment returns. Members are asked to approve that Numbers 1 and 3 Faringdon Road be disposed of.
- 2.7 At a future date, should the Property Team advise that they feel it would be in the best interests of the Trust Fund to purchase alternative property with the sale proceeds to generate a greater financial income to the Fund, Members are also asked to agree that the purchase of future investment property can be made.

Alternative Options

- The Fund could keep hold of the properties and use up the fund balance to contribute to the refurbishment of the property.

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Risk Management

Financial and Procurement Implications

- It is estimated that the properties require investment of £200k to bring them up to a modern standard to maximise the rental opportunities for them. This sum would virtually wipe out the balance on the Trust Fund making annual grant awards impossible until new tenants were found.
- It is envisaged that without significant investment the current rental income of £20k per annum is not sustainable and that greater value would be achieved by selling the properties and investing the receipts until such a time that a future rental property investment can be made.
- A Diversity Impact Assessment (DIA) has not been done as this report does not make any recommendations that affect services.

Legal / Human Rights Implications

- The Charity Commission would need to be notified of the formal intention and completion process of the sale of charity land. This matter is being considered by the Council in its capacity as Trustee of the property.

Links to Corporate Plans and Policies (in particular to Swindon 2010 Promises)

- Any proposal to modernise the current objectives of the Trust Funds will enable officers to better align those objectives to its Corporate Plans, where appropriate.

Consultees

- The Board Director of Finance, Revenues, Benefits & Property (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.
- The three political group spokespersons have also been consulted.

Background Papers and Appendices

- Council report Friday 18th May, Agenda Item 16: Trust Funds