Board meeting 20 July 2017 Agenda item 3.1.1 Appendix 1

**Budget discussion**

*Summary*

The key issues, in a nutshell, are:

1. Given the spend to date and known commitments, we have accounted for three quarters of the repairs & maintenance budget after only one quarter of the financial year leaving just $11,000 to cover the remaining 9 months. If we proceed with other work that has been identified, not including any repairs and maintenance to the former Police Station as part of a suggested Trust office move and *without making allowance for any other R&M issues that may crop up over the next 9 months*, the budget would be overspent by $9,000 at year end*.*
2. Spend to date accounts for 45% of the capital improvements budget after only one quarter of the financial year, leaving $38,000 to cover the remaining 9 months. If we proceed with other work that has been identified, not including any upgrade to the former Police Station as part of a suggested Trust office move or any seismic strengthening work on 124 Main Street or the Carterton properties, the budget left over to see us through to the year end would be $8,000.
3. We have yet to repay any debt this financial year, although sale proceeds of $170,000 relating to Arbor Place will be available for this purpose once final settlement has occurred.

*To date position*

The net surplus is showing as $51,000 better than budgeted. This is part illusory – the budgeted $45,000 GSLS salary grant has not yet been paid out - and part real, represented by $5,000 interest saving due to a

later than planned start to the Lamb-Peters development.

*Planned 2017/18 financial result $ Notes*

Budgeted net profit as at 31 March 2018 139,394

To be used as follows:

Capital improvements 69,000

Debt repayment 70,000

*Projections*

1. Repairs & maintenance

Budgeted 50,000

Spend to date (3 months into year) (24,000)

Already committed (16,000) Wanganui gantry crane

Balance available for next 9 months 10,000

Could be committed (20,000) 64 Main St 3&4 interior and building exterior repaint **not** including Police Station interior plus Pahiatua wall

Implication of committing the above (10,000) Budget would be overspent

1. Capital improvements

Budgeted per above 69,000

Spend to date (31,000) Wanganui roller door & heating, 2/64 Main St heat pump & carpet

Balance available for next 9 months 38,000

Could be committed (30,000) 64 Main St (3&4) heating & carpet upgrade **not** including Police Station upgrade plus Pahiatua new lighting

Implication of committing the above 8,000 Note: **no** provision has been made for seismic strengthening work that the Board may approve for 124 Main Street

*Available levers to address situation*

* Repairs & maintenance:
  + Increase budgeted revenue
  + Reduce budgeted operating spend
  + Reduce grant allocations and/or rent remissions
* Capital improvements: Defer proposed spend
* Debt: Reduce planned repayment and/or accept borrowing will increase

*Opportunities*

Repairs & maintenance:

The main opportunity for increasing revenue is bringing Lamb-Peters online but this will not happen before calendar year end at the earliest. Any increase would in any case be offset by additional interest costs and the effect of known lease terminations eg. 64 Main Street, 38-42 High Street Carterton.

There is some scope for reducing operating spend – not undertaking any further health & safety review work once 124 Main Street and High Street, Carterton work programmes have been resolved (potential saving of $20,000), no more development investigation work (potential saving of $14,000), no more training or workshops (saving of $4,000), and not utilising the $10,000 legal expenses budget in anticipation of not facing any non-property related legal issues.

The Education (August) grant round is imminent – there will be a saving of approx. $12,000 against the budgeted $30,000 allocation, based on application numbers. Also, the sums allocated to the community grant rounds (September and March) could be curtailed. Alternatively, or additionally, the current 95% rent remission could be reduced (a 1% reduction across the board = $1,000 approx ie. reducing the remission to 75% would save $20,000 in a full year).

Capital improvements:

Defer spend on units 3&4/64 Main St upgrade and not proceed with Pahiatua new lighting (this could be charged to health & safety though – see above).

Debt:

No debt has been repaid so far this financial year but it would be possible in the meantime to keep faith with the original plan by clearing $17,500, the equivalent of 3 months, pending receipt of the balance of settlement funds from Fairview Windows ($170,000). The balance of the scheduled repayment of $52,500 could be deemed to have been made by applying the sale proceeds when received.

Increase borrowing to fund capital improvements that will exceed budget.