ANNUAL PLAN 2017/18

GREYTOWN TRUST LANDS

Growing the community since 1871

This Annual Plan document, which covers the 12 month period to 31 March 2018, sets out the Trust's operating budget, the outputs Trustees will report against and the associated indicators they will use to measure the Trust's financial performance.

The document also outlines the focus of the Trust's work programme over the next 12 months.

Key outputs and performance measures

Consistent with the purposes of the Trust set out in the legislation that governs its activities, Trustees have agreed on two key outputs which they believe drive management of the Trust's core business. These are:

1. ***the level of dividend that Trustees are delivering each year to the community in the form of financial and in-kind assistance***

2. ***the quality of the Trustees' stewardship of the assets vested in or held by the Trust.***

To be able to demonstrate to the community how they are performing in the delivery of these key outputs, Trustees have identified the following measures:

Dividend delivered to the community

- **Number of grant recipients and value of grants paid (by category) during the year**
- **Total value of grants awarded as a proportion of the annual grants budget**
- **Proportion of annual operating surplus allocated to grants**

Quality of financial stewardship

- **Rate of return on the average market value of property assets held in trust**
- **Change in the value of Trust equity**
- **Ratio of debt to equity.**

The Trustees reported performance against these measures for the first time in the 2015/16 Annual Report. Those results will form the baseline for comparison with the 2016/17 results to be presented to the Annual General Meeting in August this year.

2017/18 budget overview

The 2017/18 operating budget adopted by Trustees in March is summarised below. The 2016/17 budget and forecast actual figures (ahead of receiving an audit certificate) are also shown for comparative purposes.

Budget Summary	2017/18 budget $000	2016/17 budget $000	2016/17 forecast actual $000
REVENUE			
Rental income			
Commercial property (Land & buildings)	863	878	826
Residential property (Land)	6	15	9
Community property (Land)	105	103	117
Tenant outgoing recoveries	102	112	100
Miscellaneous income	-	-	1
Total operating revenue	1,076	1,108	1,053
OPERATING EXPENDITURE			
Property related expenses inc. tenant outgoings	182	180	188
Trust operating expenses	329	316	246
Depreciation	3	2	2
Total operating expenditure before interest	514	498	436
OPERATING SURPLUS BEFORE INTEREST	**562**	**610**	**617**
Interest receivable	3	4	17
Interest payable	(60)	(111)	(67)
Net interest	(57)	(107)	(105)
OPERATING SURPLUS BEFORE GRANTS	**505**	**503**	**567**
Education grants	(138)	(138)	(114)
Community grants	(129)	(129)	(121)
Community land rent remissions	(99)	(99)	(99)
Total grants	(366)	(366)	(334)
NET SURPLUS	**139**	**137**	**233**
Allocated as follows:			
Used in planned repayment of debt	70	-	-
Transferred to accumulated funds for improvements	69	137	233
	139	**137**	**233**

As was the case last year the overall budget message is "steady as we go". However, at a detail level there are some noteworthy changes between this year's and last year's budgets.

In line with the property management strategy developed last year the Trust has successfully disposed of a number of underperforming legacy leasehold properties whose rentals were not achieving desired market rates of return. While this has resulted in the rent revenue budget falling this year the shortfall has more than been offset by a significantly reduced budget for interest payable. This is because Trustees have used the cash generated from property sales to pay down debt in the interim.

Trustees have decided with this year's budget to adopt a more proactive approach to the repayment of debt, particularly as the debt level will rise again in 2017/18 as the result of a planned new building development in Arbor Place. Accordingly they have set a target of using 50% of the budgeted net surplus to repay debt over the 12 month period ie. at the rate of approximately $6,000 per month.

Based on maintaining the value of grants at last year's level the current forecast net surplus still remains positive and the balance will be transferred to accumulated funds and used to fund capital improvements to existing properties.

2017/2018 work programme

Property

A key focus of the property work programme over the next year is to continue work already started:

1. Refresh the Trust property portfolio by
    - divesting property that does not meet the minimum acceptable seismic risk standard agreed by Trustees
    - implementing measures that will improve the health and safety performance of Trust owned buildings
    - raising the standard of general maintenance of all Trust owned property.

2. Complete a long term realignment of the Trust property portfolio by
    - increasing the proportion of the portfolio that comprises office accommodation
    - reducing the Trust's reliance on, and risk exposure to, the Greytown property market.

3. Realise the Trust's capital investment in currently vacant land at Arbor Place by
    - marketing it for sale outright or under buy/lease back arrangement involving development by others, or
    - pursuing design, build and lease arrangements under which development is undertaken by the Trust (one such development is already scheduled to go out to tender).

With debt having fallen and interest rates remaining low, Trustees will also consider opportunities to acquire property on the open market that meets their investment return criteria.

The intention with this work programme is to modernise the portfolio and maximise the rate of return as this will enable Trustees to at least maintain if not increase future community dividends.

Community dividends (grants)

Trustees have embarked on a strategic review of the Trust's financial support to the community taking account of, among other things, changed community needs, appropriate strategic fit with the purposes of the Trust and projected future surpluses. From a community dividend perspective this may result in changes to the current grant categories and to the level of funds allocated to each of them in future.

Following a short consultation period with affected stakeholders, it is intended the outcome of the review will be shared with the community at this year's Annual General Meeting in September. Assuming this timeline is met it is anticipated the revised grant policy will be implemented with effect from 1 April 2018 and the budgetary impact of the changes made will be announced in next year's Annual Plan.

"Social return"

The Trust has a significant financial interest in land currently used for community purposes by two sports clubs. The value of this land represents 10% of the total value of the Trust's property portfolio yet, once rent remissions to the sports clubs are taken into account, the Trust receives a minimal financial return from it.

While Trustees are willing to continue to sacrifice financial return (and the resulting capacity to provide monetary assistance) for a "social return" in the form of a benefit delivered directly to the community, they believe there is scope through its more efficient use for obtaining a more optimal social return from the land than is currently the case.

With this objective in mind Trustees are collaborating in a wider initiative alongside key stakeholders in the community including South Wairarapa District Council, the Ministry of Education (via Kuranui College), the Greytown Sports & Leisure Society and some of the major sports codes to:

- increase shared use by sports clubs of the land and sports facilities currently available in Greytown, and;

- improve and future-proof the quality of Greytown sports facilities in line with growth projections for sports participation.