

# Long Term Strategic Plan

## Summary

This is a long term plan for the Greytown District Trust Lands Trust for 2015 – 2025.

Each year the plan should be reviewed by Trustees to determine if any changes are required.

Throughout this process of review Trust policies will be determined and varied depending on the changing circumstances and business environment the Trust will operate in.

The legislation that drives the Trust's activities will need to be reviewed and updated during this period to allow for various changes. This process needs carefully consideration and will require external assistance at some cost to the Trust both monetary and in time.

Trustees are appointed for a 6 year period through an election process that sees half the current number of Trustees standing down every 3 years. Despite this election cycle it is important that the Trustees build a robust Strategic Plan that allows continuity beyond each 3 yearly election cycle in order to give direction to those following.

The Strategic Plan identifies Greytown District Lands Trust as being in the business of:

- Facilitating economic growth and development in the District
- Supporting educational activities
- Ensuring a healthier environment exists for residents
- Encouraging sporting and leisure pursuits

In undertaking these planned activities it is recognised that for this Trust to make a contribution of significant value to the local community then it needs to focus on more innovative ways to undertake its role. There is a recognition that the Trust cannot fulfil all community needs and will need to enlist and support the services of others.

Investing in new construction projects and industrial developments has necessitated borrowing from external funds to expand. As this continues and the Trust reaches its lending limits it may have to consider options of delivering development outcomes through joint ventures or offering projects to other organisations to complete.

The important issue is to ensure the best outcomes are delivered and the well-being of the Greytown Community is paramount whoever is providing the service or facility.

As opportunities arise for investment and are reflected in this plan it is not absolutely certain that all will proceed.

The Bidwills Cutting Industrial Park and now including the recently purchased Ken Green land has to be the main focus of the Trust in the medium term. Substantial investment has occurred already in infrastructure and to generate a reasonable rate of return from this investment new buildings need to be erected and leased, not on spec but as demand requires.

With construction commencing on The Olive Press project before Christmas 2014 this is seen as the next phase in construction for the Trust on this site.

In November 2015 the Trust will have completed its community facilities investment in the Cobblestones Museum project having committed \$300,000 over a 3 year period. There is no provision for further significant community investments like the Town Hall, Arbor House and Cobblestones within this long term plan as the focus is on expansion and where possible debt reduction.

## Overall Financial Position

The next few years reflect continued capital expenditure into new projects with Bidwills Cutting Industrial Park being the main focus. This can only be achieved through additional borrowing.

Trustees recognise the need to maintain a certain level of community grants and have grappled with the desire to expand and complete the infill of the Industrial Park verses continuing giving grants so as not to undermine the current funding needs. The balance between grant making and debt reduction, after allowing for interest costs, needs careful assessment to ensure borrowings are maintained at prudent levels.

The long term plan indicates improving cash flows so that the community will be better off eventually compared with not undertaking new developments.

Trustees have identified a number of key strategic approaches that they think are important to focus on and develop in order to achieve the strategic goals.

- To set the borrowings for the next 12 months to not exceed \$3.1 million as per the WBS current security lending limits.
- To maintain the current grant spending limits to a maximum of 50% of net operating surplus after net interest. The split between grant sectors to be determined by Trustees base on known committed grants and applications received.
- To confirm the revised grants policy including whether certain applications are considered by set dates or on a continuous basis throughout the year. For Trustees to evaluate which grant applications best fit with the Trust's objectives they may need to set dates to ensure "good community applications" are not scaled back or declined due to the grants budget having been spent earlier in the year.



## Community Outcomes

The Trust needs to work collectively with a number of groups/organisations to reaffirm what it has identified as community outcomes. These include:

### A strong prosperous and thriving economy

- Continue direct investment into Bidwills Cutting Industrial Park projects
- Encourage new investment into the area
- Support the development of a food hub business and strategic plan by providing seed funding as there are growth opportunities to expand activities in the food sector
- Develop business partnerships by work with other agencies to strengthen growth

### A vibrant community

- To encourage local people to be involved in their community
- To support community events by providing funding support for merit based projects

### A lifetime of good health and positive well-being

- To support people living in a safe environment
- To facilitate access to primary health services
- To continue the planning for establishing an Integrated Family Health Centre for the South Wairarapa and work with other organisations to assess its financial viability
- To work on raising the health standards of the local population

### An environment that is appreciated and sustained for future generations

- To encourage locals to be well informed and educated about the environment
- To continue supporting financially environment areas of importance to ensure their protection and enhancement

### Supportive, caring and inclusive communities

- To encourage people to get involved in their community
- To work with Papawai Marae to strengthen the link between the Marae and town communities

### Strong leadership and a sense of belonging

- To take a lead role in co-ordinating community based activities
- To work closely with local authorities and central government on important regional matters
- To develop a number of strategic alliances for economic growth including councils, central government, iwi groups and business organisations

### Safe and accessible recreational facilities

- Continue supporting financially Greytown Sport & Leisure Association

- Encourage the co-ordination and collaboration of sporting codes to ensure recreational facilities and services are maintained and improved in the region

Communities that value and promote their unique culture and heritage

- By helping inform the community of future issues involving the Trust
- Continue to financially support the historical heritage of Greytown
- Promote Greytown as a tourist destination by facilitating the development of appropriate information displays on places of interest e.g. Papawai Marae, Cobblestones
- Encourage the community to continue recognising and celebrating historic events - Arbor Day
- Work with Kuranui College to create a learning experience for students at the same time as helping develop community facilities by investing in the Hastwell street Hall Rejuvenation Project (this would only proceed if external funding is obtained and the Business Plan for this project proves viable)

The challenge for the Trust is to provide funding for its Strategic Plan. Currently all cash reserves have been expended and the Trust has a loan facility through WBS of up to \$3.1million. Trustees need to resolve a level of borrowings that is an acceptable risk and will not be exceeded for a specified period.

Borrowing limits are presently 30% of debt to equity or twice interest cover enabling the Trust to borrow in excess of \$4 million based on current values of investments that revalue annually.

Targeted returns on Proposed Investments are 8% on capital expenditure. It is recognised that there may need to be some flexibility around this preferred yield in the short term to encourage the uptake on new leasing arrangements. The risk to the Trust is a reduction in cash flows from these new investments and all proposed projects need to undergo a full analysis to assess the level of risk that the Trustees are comfortable with.

## Capital Expenditure

The Trust will embark on a significant capital expenditure programme over the next 2 years.

Despite the large increases in external borrowing the level of debt repayment will increase considerably in the latter 5 years as more projects are completed and rental returns improve as the initial rent concession periods expire. This is on the basis that where the Trust borrows to fund investing activities it is assumed that these borrowings will be on an interest only basis until the point where each investment yields a commercial return on funds.

Total interest expense on Borrowings will not exceed twice interest cover to rents.

Individual property will be offered as security and currently WBS has secured 5 investment properties based on 60% of their current value. These include: Farmlands Greytown & Pahiatua, Downer EDI in Wanganui, Lawson Avery in Masterton and Stihl in Greytown.

There is expected to be a substantial increase in net operating surplus margins over the next 10 years due to higher rents. This surplus will be used in the main to repay external borrowings based on a formula to be determined by Trustees whilst ensuring additional grants funding will be allowed for.



## Current Financial Data

Budget forecasts for income and expenditure plus anticipated capital expenditure have been completed for a 10 year period to 2025 from 1<sup>st</sup> April 2015 based on two scenarios covering known commitments at this stage.

## Assumptions relating to both scenarios

- No inflation adjustment allowance has been made for income or expenditure
- No rent increases or CPI adjustments have been provided
- Interest on loans are calculated on a flat rate of 6%
- Surplus cash each year is used to repay loans
- Grants distributions are maintained at current commitment levels
- No property revaluations
- Proceeds of \$150k received by 31<sup>st</sup> March 2015 for sale of 110 East Street residential land
- Completed The Olive Press project costing \$1million by May 2015
- N Z Police to vacate premises from the 2017 financial year

## Scenario One

- No further developments are undertaken after those currently committed too

## Scenario Two

- Additional capital expenditure of up to \$1.5 million is incurred on further developments with spending up to the current mortgage lending limit from WBS bank of \$3.1 million
- Additional borrowings occur in the 2016 financial year
- Investment yield return is calculated on 8% on \$1.5 million
- Extra rental return on new commercial property is estimated at \$120,000 per annum