

ANNUAL PLAN

2018/19



GREYTOWN TRUST LANDS

Growing the community since 1871

BUDGET COMMENTARY

The operating budget covering the 2018/2019 financial year commencing on 1 April 2018, as adopted by Trustees in March this year, is summarised below. The 2017/18 budget and forecast actual figures (ahead of receiving an audit certificate) are also shown for comparative purposes.

| Budget Summary | 2018/19 budget \$000 | 2017/18 budget \$000 | 2017/18 actual \$000 |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
| REVENUE | | | |
| Rental income | | | |
| Commercial property (Land & buildings) | 805 | 863 | 836 |
| Residential property (Land) | 6 | 6 | 6 |
| Community property (Land) | 114 | 105 | 109 |
| Tenant outgoing recoveries | 109 | 102 | 93 |
| Miscellaneous income | - | - | 2 |
| Total operating revenue | <u>1,034</u> | <u>1,076</u> | <u>1,046</u> |
| OPERATING EXPENDITURE | | | |
| Property related expenses inc. tenant outgoings | 201 | 182 | 219 |
| Trust operating expenses | 336 | 330 | 242 |
| Depreciation | 3 | 3 | 3 |
| Total operating expenditure before interest | <u>540</u> | <u>515</u> | <u>464</u> |
| OPERATING SURPLUS BEFORE INTEREST | 494 | 561 | 582 |
| Interest receivable | - | 3 | 2 |
| Interest payable | (4) | (60) | (19) |
| Net interest | (4) | (57) | (17) |
| OPERATING SURPLUS BEFORE GRANTS | 490 | 504 | 565 |
| Education grants | (140) | (138) | (104) |
| Community grants | (103) | (129) | (79) |
| Community land rent remissions | (108) | (99) | (104) |
| Total grants | <u>(351)</u> | <u>(366)</u> | <u>(287)</u> |
| NET SURPLUS FROM OPERATING | <u>139</u> | <u>138</u> | <u>278</u> |
| Net surplus from operating allocated as follows: | | | |
| Repayment of debt | 70 | 70 | 70 |
| Transferred to accumulated funds for improvements | 69 | 68 | 208 |
| | <u>139</u> | <u>138</u> | <u>278</u> |

In line with the property management strategy developed two years ago the Trust has continued to dispose of land surplus to requirements as well as tired, outdated properties and under-performing property assets whose rentals have not been achieving desired market rates of return. While this has resulted in the rent revenue budget falling again this year the shortfall has more than been offset by a significantly reduced budget for interest payable. This is because Trustees have been able to pay down more debt than was forecast last year.

Based on maintaining the value of grants more or less at last year's budget level the current forecast result still remains positive and the balance will again be used to repay debt and to fund capital improvements to existing properties.

IN THE TRUST'S WORK PROGRAMME FOR 2018/2019

Property

A key focus will be a review of property investment strategy. With Trustees expecting the Trust to become debt free this year and with interest rates remaining low, now is the right time to consider refreshing and renewing the property portfolio, either through new development or more likely acquisition.

Community dividend (grants)

Trustees embarked last year on a phased 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. The financial support the Trust gives to education was the first area to be considered.

This has led to a new education funding strategy being implemented in April this year. While the new strategy has resulted in changes to the way in which the funding is allocated the overall education grant budget remains the same as last year.

Trustees are continuing the review this year by turning their attention to the remaining grant categories. These include grants towards sports and leisure activities, arts and culture activities and events, and in support of organisations delivering services to the community. Trustees anticipate completing this work in time for any changes to be implemented in April next year.

Specific projects

Trustees are continuing to explore opportunities to improve and future-proof the quality of Greytown sports facilities in line with growth projections for sports participation. To this end, the Trust is pursuing a collaboration with Kuranui College, the Ministry of Education, South Wairarapa District Council and possibly Carterton District Council that it hopes will lead to a study into the feasibility of developing a shared use sports facility at the College.

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