

## Riccarton Bush Trust

### Submission to Council Regarding Trust's Request for Future Funding

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Advice has been received of the need to appear before the Council in support of the recently submitted requests (operational and capital) for future funding support from the Council. These requests are to be considered by the Council within its development of the new (2006-16) LTCCP.

The following comment is to assist the Trust/Finance Committee/Trust reps. to understand the detail backgrounding the requests, and to assist with the presentation to the Council. Copies of the Operational and Capital Funding Projections are **attached**.

#### **(a) Operational Funding**

(ie the amount of annual levy required, in accordance with the Act, for administration/maintenance of the House, Bush, and House Grounds at the Riccarton House and Bush site. In reality the levy requirement is the total sum required for administration/maintenance, less the revenue earned by the Trust from its heritage and catering businesses, and any other income).

It is important, by way of background, to understand the changes to operational funding that have evolved over recent years. The following paragraphs illustrate the respective changes.

For a number of years (1993/94 to 2000/01) the Trust's requirements were for an annual levy of \$135,000.

Commencing in 2001/02 the levy was changed to represent inflationary increases which had occurred since 1993. (ie \$158,175 for 2001/02, rising to \$177,569 in 2003/04). The acknowledgement of the inflationary increases resulted following a suggestion made by Cr. David Close and CCC officers for the Trust to approach its further submissions on this basis.

(As it happened the Trust had not suffered from not having increased the levy during the 1993/94 to 2000/01 period, because of the availability of a ready stream of capital funding, and a heavy involvement in capital projects during the period).

A further suggestion made by Cr. Close and CCC officers was that the Trust should aim to "fund its depreciation" to allow for future replacement of assets. As the level of depreciation at that time was in the order of \$54,000 the Trust did not consider it prudent to request an additional annual sum to cover this amount.

In the 2003/04 financial year the Trust encountered serious financial problems, mainly resulting from a failure of the (then) Caterer to produce adequate revenue from the catering business, but also as a result of rental concessions provided to the Caterer, and the rundown of the Trust's capital funding from projects allied to best accommodate the Caterers operations.

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Following representation to the Council, in May 2004, the Trust was granted approval to utilise its remaining capital funding for operational use, and the Council also provided a supplementary operating grant of \$20,000 to overcome the financial crisis. This effectively enabled the Trust to honour its commitment to paying its employees, and to clear a number of existing invoices for payment from within the 2003/04 year.

Representation was also made to the Council, through the 2004/05 Annual Plan process, for additional operational funding to assist the Trust to extract itself from the ongoing short term difficulties. The outcome from the Council's consideration of this particular representation was for a "top-up" grant of \$60,000 p.a. (ie additional to the levy of \$181,120) to be approved for the 2004/05 and 2005/06 financial years.

The outcome from the "top-up" decision was, in broad terms, based on the following scenario:--

- "here is an extra grant—live within it,
- develop the longer term financial projections in the meantime,
- be ready to submit the Trust's future financial requirements in the lead up to the Council's finalisation of the 2006 LTCCP".

Quite clearly the additional grant has assisted the Trust in its annual performance, and it is also relevant that the Trust, through the additional funding, has commenced the setting aside of funds (in an Asset Renewal Fund) as part recognition of the earlier suggestion to "fund the depreciation".

Turning now to the forward projections for operational needs (see attached spreadsheet) it will be noted that, for ongoing operations, the Trust's levy requirements generally include for an initial continuation of the additional grant, although it is estimated that there will be a steady decline in the levy required in the years ahead. This position arises because of the Trust generally maintaining its level of administration/maintenance costs (albeit with some additional costs) with a reasonable ongoing growth in revenue from the heritage and catering businesses.

The question may well be asked as to why the Trust still requires a continuation of additional funding??? It is relevant therefore to consider what has changed since the "top-up" funding was first granted. The summary below provides the answers to this:--

- (i) Transfer to Asset Renewal Fund

The Trust's resolution to adopt this practice in lieu of fully funding its depreciation has provided for an ongoing additional sum of \$10,000 to be budgeted annually [or, as the CCC Accountants show it—for the Trust to achieve an operating profit (before depreciation) of \$10,000].

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(ii) Part Time Administrative Support

The Trust has, for a long time, aimed to provide some support/back-up for the Administration Officer. The forward budgets include a sum of \$15,000 for a suitable part-time person.

(iii) Temporary (Part Time) Gardener.

This position, which, historically, has been funded via WINZ (and a Trust top-up), is now provided within the forward projections for full funding by the Trust. The sum required for 3 days per week, for 33 weeks per year, is \$9,500 p.a.

(iv) Mowing Contract.

This contract has been in place for a number of years. It is expected that a new contract will result in a noticeable increase. An additional sum of \$4,000 has been provided to cover this contingency.

(v) Promotions.

For the 2005/06 year the Trust agreed to an additional promotional cost of \$5,000 for joint marketing initiatives with the Caterer. This provision has been continued in the forward projections.

(vi) Electricity.

The cost of electricity increases during 2004 and 2005, and the increased use of electricity in the House, have resulted in an increase of \$5,000 p.a., and this is continued for the ongoing forward projections.

(vii) Inflation.

The Trust's original (pre top-up of \$60,000) need was for a levy of \$181,120 in 2004/05. Inflationary increases of, say, 2.5% for 2005/06, and 3.0% for 2006/07, increase this cost to \$191,200 for the 2006/07 year ie an additional \$10,000 p.a.

(viii) Other Future Increases.

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The following items have been included in the future budgets as costs likely to be above normal inflationary trends:--

- Audit Fees--new "contract" shortly to be implemented.
- Building (House) Maintenance--it is expected that, following the 2005/06 repairs to the first floor veranda, there will be other reasonably major repairs required from time to time. It is also expected that a new painting contract will result in an increased annual charge.
- Nursery Upgrade--provision has been included for a substantial upgrade to the Trust's Nursery infrastructure.
- Track Maintenance and Signage Maintenance--one-off costs (on a 3 to 4 year basis) are provided for these maintenance items in future years.

**(b) Capital Funding**

Now that the major projects programmes for both the House, and the Bush, have generally been completed, the forward capital funding needs are far less complicated. In fact the only "major" project proposed for the next 10 years is that of the external fencing.

The Council's previous approvals reflected the heavy pattern of capital development. It will be noted that the major (\$100,000 to \$250,000) annual grant support was completed in 2000/01, with grants of \$50,000 having been approved in 2001/02, 2002/03 and 2003/04. There were no capital grants received in 2004/05 or 2005/06.

The present request for capital funding is quite simple, as follows:--

- 2006/07     \$20,000--for replacement of the ground floor carpet.
- 2007/08     \$100,000--for half of the cost of providing the external fencing around the site.
- 2008/09     \$50,000--as contribution to the \$70,000 cost for restoring the Morning Room.

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## Riccarton Bush Trust Previous Funding Support from the Council

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### **Operating Levy.**

1993/94 to 2000/01	\$135,000 p.a.
2001/02	158,175
2002/03	174,088
2003/04	177,569 *
2004/05	181,120 **
2005/06	181,120 **

[\* The Council provided an additional \$20,000 as a grant when the Trust encountered financial difficulties at the end of the 2003/04 year]

[\*\* An additional \$60,000 p.a. was made available as a top-up on the operational costs for the latter two years, following the demise of the previous caterer, and to cover the Trust's recovery from the consequential loss of revenue.]

[ The Council has also recently approved funding for a Special Projects position with the Trust. This grant is spread over a period of 3 financial years, totalling \$42,342.]

### **Recent Capital Grants**

2001/02	\$50,000
2002/03	50,000
2003/04	50,000
2004/05	nil
2005/06	nil