

Te Ahu Charitable Trust Business Plan – Summary as at August 2009

Introduction

The Te Ahu Project was initially conceived in 2004. A preliminary business case was presented to Council in 2005 and the concept approved and an agreement reached on forming The Te Ahu Charitable Trust. During the course of 2007/08, the Trust carried out extensive consultation and review work and developed the initial business case into a more detailed concept and business plan.

The Community Centre site was selected and in discussion with Council, it was decided to incorporate the existing Community Centre (which would be upgraded) into the project. The aim was to centralise all facilities in the one site in Kaitaia. As a result, the budget grew to \$15mio, to be funded jointly by Council and external providers.

Executive Summary

The current version of the Business Plan is a work in progress and will continue to be so until well after Te Ahu has begun operating.

In saying that it is fundamental that the details and assumptions contained within it based on realities and detailed relevant assumptions.

The Business Plan utilises input from the Visitor Solutions December 2008 Study , The Far North Regional Museum Trust Business Plan and additional work completed in conjunction with FNDC.

Visitor Numbers

The assumed visitor numbers are set out in the Table Below.

Visitor Numbers	Current	Year 1	Year 2	Year 3	Year 4	Year 5
I-Site	50,000	53,000	55,120	57,325	59,045	60,225
Museum	6,000	19,875	20,670	21,497	22,142	22,585
Tech / Meeting Spaces	N/A	6,870	7,180	9,285	9,310	9,335
Performing Arts Centre	6,000	8,100	8,980	10,100	10,100	10,100
Community Centre	22,000	22,600	26,450	28,000	28,000	28,000
Library	100,000	81,000	90,000	95,000	97,500	100,000
Service Centre	20,000	13,000	13,000	13,000	13,000	13,000
Total	198,000	204,445	221,400	234,207	239,096	243,245

Given major changes to the global economic outlooks, the Ministry of Tourism identify that current forecasts are not likely to reflect actual tourism activity in the short-term (1-2 years), although it is considered that the long term forecasts to still be valid estimates.

Recent reviews of the above figures have highlighted the fact that both Library and Service Centre Visitation may well be understated. Current estimates of Service Centre visitation are in the order of 20,000 per annum and Library around 100,000.

It is unlikely even given the movement of both facilities further away from the CBD that visitation would drop to the extent indicated above. There is therefore some potential upside on not only visitation but also income generation capacity.

Financials Overview

The Business Plan has been developed holistically which is to say anticipated revenues and expenditures from all component parts have been included within the single Business Plan.

This ensures it captures all Revenues and Costs and as such provides the best possible opportunity to identify and realise synergies and cost savings across all component parts rather than leaving them in silos.

The current Business Plan provides for a loss of approximately \$105k in year 1 improving to a moderate surplus of around \$50k by year 5. Please find below further detail as to how the Business Plan has been constructed and its assumptions and details.

Revenues

Revenues are generated from two main sources FNDC and Te Ahu.

FNDC Revenues

FNDC Revenues to Te Ahu are based on the current levels expended by council in relation to the following facilities and activities:

1. Far North Community Centre
2. Far North Regional Museum
3. Kaitaia i-SITE
4. Kaitaia Library
5. Kaitaia Service Centre

Specifically the total operational costs for each of these components in addition to Building, Infrastructural and IT / Office Equipment Depreciation have been deemed to be the total funding available from FNDC to Te Ahu.

These budgets are in line with the 2009-19 LTCCP and have been provided by and reviewed with FNDC. Total FNDC contributions towards Te Ahu are budgeted to be just over \$1m in year 1 rising to just over \$1.1m in year 5.

These costs are budgeted and would be required to be met by FNDC irrespective of whether Te Ahu existed or not.

Te Ahu / Component Revenues

Total Te Ahu and component generated revenues are anticipated to be \$524k rising to \$629k in year 5.

The Ahu revenues are generated through a number of sources.

For reference significant year 1 figures are indicated below and are supported by the initial Visitor Solutions Business Plan work:

Catering Sales	\$201k
Retail Sales	\$141k
Museum Admissions	\$66k
Performing Arts / Theatre	\$29k
Lease of Old Library Building	

Note - FNRMT budgeted admissions revenues are significantly lower at \$20k
An appropriate level of Visitor Experience will be required to drive increased visitation
Catering and Retail Sales modestly net approximately \$14k in year 1 rising to \$30k in year 5.

Expenditure

As with Revenues total expenditure has been treated holistically and is based on the total anticipated component expenditure along with Te Ahu Expenditure.

Structure

It is assumed that the Te Ahu Trust will be responsible for the overall management of the site and facility.

The technology centre, performing arts centre, community centre, café and retail areas will be managed as internal business units with an underpinning theme of convergence.

It is assumed that Far North District Council will be responsible for the management of the I-Site, Library and Service Centre although if appropriate internal service level agreements for the provision of these or part of these services could be developed over time should this approach be beneficial to all parties.

Whilst the Far North Regional Museum and Te Ahu relationship is still being finalised between FNDC, FNRMT and TACT full budgeted costs and revenues are accounted for within the current Business Plan to ensure what ever the agreed structure is going forward it is provided for now.

Synergies will continue to be developed between all parties pre and post inhabitation of the facility with resultant Business Plan implications.

FNDC Staff

For FNDC components (Library, i-SITE, Service Centre and Community Centre staff costs have been budgeted as per the LTCCP budgets.

Te Ahu Staff

Te Ahu Staff have been budgeted as per the Visitor Solutions Business Plan.

It is assumed that there is a full time manager, 0.5 Marketing and Events position and 1.5 FTE administrative / accounts payable support and 1 FTE General / Programme Assistant.

A \$20,300 allowance has been made for casual staff for events and to provide cover as required. It has been assumed that \$15,000 is recovered through a casual staffing recharge to user groups;

On costs have been assumed to include Kiwi Saver at 4%, ACC at 1.5%, sickness and training allowance at 3.5%. No allowance has been made for holiday entitlement as all indicative work rosters allow for annual leave to be covered by the proposed staffing structure.

Far North Regional Museum Staff

Far North Regional Museum Trust Salaries have been budgeted using the Visitor Solutions assumptions and further have been cross referenced against the most recent Business plan supplied by the Museum Trust.

Both models allow for almost identical levels of Staff Costs so either option is covered within the Business Plan.

Convergence Savings – Front of House

With the bringing together of many functions into one converged facility opportunities exist to eliminate duplication of services and to share tasks and responsibilities potentially across entities as they exist today.

The most obvious area for this to occur is in the front of house where, with careful design, review of responsibilities and openness to share responsibilities significant savings and efficiencies could be made.

Convergence Savings – Back of House

Whilst no savings have been factored in at this stage with further review there are possibilities here that will need to be developed as specific roles and responsibilities are developed in line with best practise and the level of convergence that is achieved.

Additional Opening Hours

Assuming that the Library and / or other functions within the facility are open an additional 2 hour per day a provision of \$25k has been included in the Business plan.

This equates to 2 staff for 2 hours per week day. If further additional functions or hours of operation are required this figure will need to be reviewed or contra savings identified to nullify additional costs.

Fit Out Refresh

A provision of \$100k per annum is in place in the budget.

It is however proposed that it is not funded from operational Income rather it is either set aside from the initial Fit out budget of forms the part of ongoing grant funding applications.

Vacated Buildings

It is assumed that the current Library Building will continue to be owned by the FNDC and leased to a third party with net rental income transferring to Te Ahu.

The net income has been based on xxxxxx

This has been factored back to allow for maintenance and other Lease related costs with a net of xx being budgeted as income for Te Ahu.

It is proposed that expressions of interest are sought from community groups to take over the lease and operating costs of both the current i-SITE and Museum Buildings to allow accommodation to community organisations at little or no ongoing cost to either FNDC or Te Ahu.

A provision of \$2k per annum has been allocated in the budget for each of the i-SITE and Museum for Te Ahu should there be any residual costs attributed to these buildings.

Technology Usage Savings

The potential provision of automated book issuing systems could save up to ½ FTE – as a result a saving has been calculated at \$20k per annum.

Further a \$3k per annum provision per annum has been allowed to maintain and operate these systems and an initial circa \$30k capital investment would be required.

I understand from the Librarian that Library resourcing is currently under pressure and rather than being a cost saving this may be required to improve service levels particularly if Library patronage keeps escalating as I am told it currently is.

Additional Library Books

It is assumed that approximately \$25 - \$30k of additional library books will be required to take up the additional space inhabited by the library. As books are Assets it is suggested that any costs associated with procurement form part of the Fit Out rather than operational cost therefore no cost has been allocated into the Business Plan.

Depreciation

An allowance of \$100,000 per annum has been made for depreciation based on 33% of the cost of \$15m on a straight line basis over a 50 year period.

Te Ahu Outreach

Provisions for outreach programs or support have been included at \$15k towards Northern Ward Library Functions and \$25k for i-SITE functions.

Further a \$10k per annum provision has been provided to assist in the operation and of the proposed Te Ahu Rock Wall. Conversations are under way with prospective partners in operation including Sport Northland, Rock Up and CBEC.

Site Lease Payments

XXXXXXXXXX

NRC

NRC have indicated a desire to become tenants within Te Ahu. These conversations are at an early stage and whilst likely providing upside to Te Ahu in both operational income and service level income no revenues have yet been incorporated.

Cleaning and Security

It is assumed that an annual cleaning contract will be let for the site at \$26,940

Insurance

It is assumed that annual building insurance premiums are \$32,895 for the site based on discussions with independent insurance brokers and a capital cost of \$15m. It is also assumed that the Te Ahu insurance will be tendered as part of FNDC's larger insurance tender potentially saving Te Ahu money.

Marketing

All marketing will be undertaken on a joint basis with FNDC with a consolidated Te Ahu marketing budget of \$35,000.

Energy and Water Costs

Electricity and water costs have been based on information supplied by other venue providers

Service and Building Maintenance

An annual maintenance budget of \$54,975 is assumed in the initial years as building maintenance costs will be lower than in subsequent years due to the young age of the building and the existence of the building defects period which requires the contractor to remedy any identified construction defects. A separate allowance of \$10,000 has been assumed for responsive maintenance

Visitor Solutions would note that the quality of the procurement process, construction contract project management and overall construction quality of the facility will all play a significant part in determining the ongoing maintenance costs

Operational Cost Increases

It is assumed that operational costs will not stay static over the forecast period and that cost increases will vary across the different expenditure areas. The percentage increase for each of the main areas of expenditure has been estimated at between one and five percent. These figures therefore fall either side of the Reserve Bank's inflation rate target.

Ticketing and Booking

It is assumed that the I-Site will provide ticketing services for activities and events held at Te Ahu. Te Ahu Trust management will undertake all facility bookings (e.g. the rental of spaces) and event planning.

Insurance

It is assumed that annual insurance premiums are \$1,000 to cover content and public liability.

Advertising / Marketing and Professional Fees

It is assumed that the Te Ahu Trust will co-ordinate the marketing for the facility as a whole. Marketing initiatives will be undertaken on a joint basis with FNDC and will be incorporated within the consolidated marketing budget.

Finance and Payroll

It is assumed that FNDC will provide additional Finance and Payroll administrative support if required as part of the Administration agreement.

Accounting and Legal

It is assumed that accounting and legal fees for the Te Ahu Trust management unit will be \$11,000. When the consolidated cash flow is shown (i.e. including fees from other business units), the total accounting and legal fees will be \$15,000 in year one.

Bank Charges

It is assumed that bank charges for the Te Ahu Trust management unit will be \$2,000. When the consolidated cashflow is shown (i.e. including fees from all Te Ahu business units), the total bank fees will be \$3,250 in year one.

ATM Rental Income

It is assumed that an income of \$xxxxxxx per annum will be received for site rental for an ATM.

Community Booking Incentive Fund

An allowance of \$25,000 has been made to provide for incentives and subsidised booking fees to encourage new community group bookings, if required. This reduces to \$0 by Year 5. The use of this fund is at the sole discretion of Te Ahu management.

Te Ahu, FNRMT & FNDC Combined - Cashflow Budget

Ref	Section	2010/11	% Growth	2011/12	% Growth	2012/13	% Growth	2013/14	% Growth	2014/15
2.5	Additional Library Staff	\$0		\$0		\$0		\$0		\$0
2.6	Museum Staffing									
2.7	Casual staff	\$20,300	3%	\$20,909	3%	\$21,536	3%	\$22,182	3%	\$22,848
2.8	Catering staff	\$160,775	3%	\$165,598	3%	\$170,566	3%	\$175,683	3%	\$180,954
2.9	Technology Usage Savings - Library automated Book Issue	-\$20,000		-\$20,000		-\$20,000		-\$20,000		-\$20,000
2.10	Convergence Synergy Savings - Front of House	-\$50,000		-\$75,000		-\$100,000		-\$100,000		-\$100,000
2.11	Convergence Synergy Savings - Back of House of House	\$0		\$0		\$0		\$0		\$0
2.12	Additional Opening Hours	\$25,000		\$25,000		\$25,000		\$25,000		\$25,000
2	STAFF COSTS	\$931,626		\$932,992		\$936,537		\$965,343		\$994,997
3.1	Gas	\$5,000	5.0%	\$5,250	5.0%	\$5,513	5.0%	\$5,788	5.0%	\$6,078
3.2	Electricity	\$44,000	5.0%	\$46,200	5.0%	\$48,510	5.0%	\$50,936	5.0%	\$53,482
3.3	Water	\$12,300	2.0%	\$12,546	2.0%	\$12,797	2.0%	\$13,053	2.0%	\$13,314
3.4	Security	\$4,000	2.0%	\$4,080	2.0%	\$4,162	2.0%	\$4,245	2.0%	\$4,330
3.5	Building Compliance	\$8,000	2.0%	\$8,160	2.0%	\$8,323	2.0%	\$8,490	2.0%	\$8,659
3.6	Responsive maintenance	\$10,000	0.0%	\$10,000	0.0%	\$10,000	0.0%	\$10,000	0.0%	\$10,000
3.7	Museum Conservation	\$5,000	2.0%	\$5,100	2.0%	\$5,202	2.0%	\$5,306	2.0%	\$5,412
3.8	Property Maintenance	\$54,975	0.0%	\$54,975	0.0%	\$54,975	0.0%	\$54,975	0.0%	\$54,975
3.9	Services / fire	\$5,000	2.0%	\$5,100	2.0%	\$5,202	2.0%	\$5,306	2.0%	\$5,412
3.10	Communication	\$8,500	2.0%	\$8,670	2.0%	\$8,843	2.0%	\$9,020	2.0%	\$9,201
3.11	Cleaning	\$27,005	0.0%	\$27,005	0.0%	\$27,005	10.0%	\$29,706	0.0%	\$29,706
3.12	Bank / Finance charges	\$3,250	2.0%	\$3,315	2.0%	\$3,381	2.0%	\$3,449	2.0%	\$3,518
3.13	Misc costs	\$9,500	2.0%	\$9,690	2.0%	\$9,884	2.0%	\$10,081	2.0%	\$10,283
3.14	Catering - Service Centre									
3.15	Expenses - Service Centre									
3.16	Telephone - Community Centre									
3.17	Telephone - Library									
3.18	Telephone - Service Centre									
3.19	Travel and Accommodation - Library									
3.2	Travel and Accommodation - Service Centre									
3.21	Rates - Museum									
3.22	Rates - Library									
3.23	Vehicle Hire - Library8									
3.24	Library - Operation of Automated Issue System	\$3,000		\$3,000		\$3,000		\$3,000		\$3,000

Te Ahu, FNRMT & FNDC Combined - Cashflow Budget

Ref	Section	2010/11	% Growth	2011/12	% Growth	2012/13	% Growth	2013/14	% Growth	2014/15
3	SERVICES	\$213,126		\$217,012		\$221,051		\$227,936		\$232,302
4.1	Insurance (Building)	\$32,940	2.0%	\$33,599	2.0%	\$34,271	2.0%	\$34,956	2.0%	\$35,655
4.2	Insurance (Content)	\$9,500	2.0%	\$9,690	2.0%	\$9,884	2.0%	\$10,081	2.0%	\$10,283
4.3	Accounting / Legal	\$15,000	2.0%	\$15,300	2.0%	\$15,606	2.0%	\$15,918	2.0%	\$16,236
4.4	Contract Work Annual - Library									
4.5	External Services - i-SITE									
4.6	External Services - Library									
4	STATUTORY	\$63,757		\$65,059		\$92,205		\$82,677		\$84,417
5.1	Office supplies	\$9,500	2%	\$9,690	2%	\$9,884	2.0%	\$10,081	2.0%	\$10,283
5.2	Museum Purchases	\$4,500	2%	\$4,590	2%	\$4,682	2.0%	\$4,775	2.0%	\$4,871
5.3	Retail Stock	\$70,667		\$76,527		\$80,954		\$82,644		\$84,078
5.4	Catering stock	\$67,079		\$72,642		\$76,844		\$78,448		\$79,809
5.5	Additional Library Books	\$0		\$0		\$0		\$0		\$0
5.6	Library Magazine Subs									
5.7	Materials - Community Centre									
5.9	Materials - Library									
5	SUPPLIES	\$166,335		\$178,388		\$187,661		\$191,598		\$195,065
6.1	Advertising / Marketing	\$35,000	3.0%	\$36,050	3.0%	\$37,132	3.0%	\$38,245	3.0%	\$39,393
6.2	Professional Fees	\$2,000	3.0%	\$2,060	3.0%	\$2,122	3.0%	\$2,185	3.0%	\$2,251
6.3	Public Notice Advertising - i-SITE									
6	MARKETING	\$42,660		\$46,804		\$52,608		\$54,093		\$55,633
7.1	Lease of Te Rarawa Land									
7.2	Lease of equipment - General	\$15,000	0.0%	\$15,000	0.0%	\$15,000	0.0%	\$15,000	0.0%	\$15,000
7.3	Distribution Rights - Cinema	\$10,000	0.0%	\$10,000	0.0%	\$10,000	0.0%	\$10,000	0.0%	\$10,000
7.4	Community Booking Incentive Fund	\$25,000		\$15,000		\$10,000		\$5,000		\$0
7.5	Outreach - Rock Wall	\$10,000		\$10,000		\$10,000		\$10,000		\$10,000
7.6	Outreach - Library	\$15,000		\$15,000		\$15,000		\$15,000		\$15,000
7.7	Outreach - i-SITE	\$25,000		\$25,000		\$25,000		\$25,000		\$25,000
7	LEASE PAYMENTS									
8.1	Depreciation (Building)	\$100,000	0.0%	\$100,000	0.0%	\$100,000	0.0%	\$100,000	0.0%	\$100,000
8	DEPRECIATION + INTEREST COSTS	\$100,000		\$100,000		\$100,000		\$100,000		\$100,000
9.1	Te Ahu Fit Out Refresh Fund	\$100,000		\$100,000		\$100,000		\$100,000		\$100,000
9.2	Fit out Refresh Credit	-\$100,000		-\$100,000		-\$100,000		-\$100,000		-\$100,000

Te Ahu, FNRMT & FNDC Combined - Cashflow Budget

Ref	Section	2010/11	% Growth	2011/12	% Growth	2012/13	% Growth	2013/14	% Growth	2014/15
9	TE AHU FIT OUT REFRESH	\$0		\$0		\$0		\$0		\$0
10.1	Museum Ongoing Costs	\$2,000		\$2,000		\$2,000		\$2,000		\$2,000
10.2	i-SITE Ongoing Costs	\$2,000		\$2,000		\$2,000		\$2,000		\$2,000
10.3	Service Centre Ongoing Costs	\$0		\$0		\$0		\$0		\$0
10.4	Library Ongoing Costs	\$0		\$0		\$0		\$0		\$0
10	VACATED FACILITY PROVISION	\$4,000		\$4,000		\$4,000		\$4,000		\$4,000
	TOTAL EXPENSES	\$1,633,754		\$1,596,872		\$1,642,057		\$1,669,033		\$1,705,202
	Net Operating Surplus	-\$105,012		\$2,891		\$53,893		\$50,657		\$49,452
	%	-6.9%		0.2%		3.2%		2.9%		2.8%
	Cashflow	-\$105,012		\$2,891		\$53,893		\$50,657		\$49,452
	Cumulative Cashflow	-\$105,012		-\$102,121		-\$48,228		\$2,428		\$51,881