



INVESTMENT PROPERTY

ACTIVITY PLAN 2014



Activity Plan 2014

Activity	<i>INVESTMENT PROPERTY</i>		
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1. Introduction

1.1 PURPOSE OF THE PLAN

The Investment Property Activity Management Plan (AMP) covers one of 23 activities addressed in the Invercargill City Council Long Term Plan (LTP). This Plan is, therefore, strongly linked to the overall strategic direction for the District. The LTP is the document and process that alerts the community to the key issues and strategies contained in this document.

The purpose of this Plan is to outline and to summarise in one place, the Council's strategic approach for the delivery of the Investment Property Activity.

The AMP demonstrates responsible management of the function on behalf of ratepayers and stakeholders and assists with the achievement of community outcomes and statutory compliance. The AMP combines management, financial, and technical practices to ensure that the level of service required by the law and expected by the Community is provided in the most operationally effective and sustainable manner.

This AMP is based on existing levels of service, currently available information, and the existing knowledge/judgement of the Council staff.

1.2 ACTIVITY OVERVIEW

1.2.1 Description of Activity

The Investment Property Activity monitors and reviews returns being achieved on individual investment properties.

This Activity places emphasis on establishing and maintaining a good liaison with tenant occupiers and also ensuring properties are maintained to an acceptable standard.

The Investment Property unit ensures that other Council departments have at their disposal the assistance required to undertake property transactions.

Whenever necessary Registered Valuers are engaged to provide valuation and rental assessments of individual properties and occasionally Real Estate professionals help in negotiating lease opportunities.

Legal advisors are also employed to ensure lease contracts and agreements are correctly drafted.

The Investment Property Activity manages and controls the activities of Investment Property owned by the Invercargill City Council.

Strategic Development Properties, including Key Bowl	6
Industrial properties, including 141 Bond Street and 20 Spey Street	22
Commercial properties, including 2 Deveron, 10 Deveron, 71 Barrow, 72 Barrow Streets	18
Rural properties	4
Residential properties	7
Awarua industrial properties	6
Properties being prepared for disposal	31
Net realisable market value (as at 30 June 2014)	\$27.50 5M

Table 1.1 - Overview of the Investment Property Activity

Note: Under the New Zealand Institute of Chartered Accountants NZIAS 16, Council has adopted the Revaluation Model that results in Investment Property not being depreciated but revalued each year to the net realisable market value as assessed by a Registered Valuer.

1.2.2 Rationale for Providing the Activity

In June 1879 Conveyance 12863 Deed 28/690 allocated land in the original subdivision of the Town of Invercargill to be set aside as Municipal Endowments with the income generated to be used to lower the rate burden on the ratepayers. Additional endowment properties were created in 1956 by the Municipal Corporations Act.

Investment properties, together with rating sale land (ie land being prepared for disposal), form the Investment Property portfolio.

There are four groups of investment properties:

- (i) Strategic properties which are held for purposes other than immediate return.
- (ii) Endowment properties which have been purchased from endowment funds.
- (iii) Trading properties.
- (iv) Properties being prepared for disposal - usually acquired through rating sale.

The overarching goal of the Investment Property Activity is to maximise the investment returns from properties. Its principal objectives are:

- (a) To review changes to interest rates in the market place and to respond to market movements in an appropriate manner whenever possible.
- (b) To ensure that Council's investment property is maintained to an appropriate standard and in order to improve the quality of the portfolio.
- (c) To ensure that the performance of the individual investment properties is reviewed and monitored.
- (d) To promote appropriate development around the Invercargill area for industrial and commercial purposes.
- (e) To provide a continuing source of income to Council.

1.3 ALIGNMENT WITH STRATEGIC GOALS

1.3.1 Community Outcomes

Council has developed its own Council-focused “Community Outcomes” for the Long Term Plan that will fulfil the requirements of “community outcomes” under the Local Government Act.

The Community Outcomes have been derived from Council’s vision: “To create an exciting, innovative, safe, caring and friendly city, offering lifestyles based on a healthy environment and a diverse growing economy”.

The Community Outcomes are:

A diverse and growing economy	Healthy lifestyles in a healthy environment	A city that is a great place to live and visit	Strong, innovative leadership
<i>We will know success when:</i>	<i>We will know success when:</i>	<i>We will know success when:</i>	<i>We will know success when:</i>
<ul style="list-style-type: none"> ➤ Invercargill reaches and maintains a minimum population of 55,000. 	<ul style="list-style-type: none"> ➤ Residents enjoy good physical and mental health. 	<ul style="list-style-type: none"> ➤ Visitors and residents know Invercargill to be friendly, caring, safe and exciting. 	<ul style="list-style-type: none"> ➤ Invercargill is both progressive and sustainable across business, community and local government.
<ul style="list-style-type: none"> ➤ Residents of all age ranges enjoy meaningful work. 	<ul style="list-style-type: none"> ➤ Residents live in warm, affordable homes, in vibrant and attractive communities. 	<ul style="list-style-type: none"> ➤ Families choose to relocate to and stay residents in Invercargill. 	<ul style="list-style-type: none"> ➤ Invercargill residents across the board are active and engaged citizens.
<ul style="list-style-type: none"> ➤ Invercargill has the lowest unemployment rates in New Zealand. 	<ul style="list-style-type: none"> ➤ Residents are able to move about the city efficiently and effectively. 	<ul style="list-style-type: none"> ➤ Residents feel safe and enjoy a strong sense of belonging and social cohesion. 	<ul style="list-style-type: none"> ➤ Ratepayers feel that they get good value for their rates.
<ul style="list-style-type: none"> ➤ The Invercargill economy is resilient to market changes. 	<ul style="list-style-type: none"> ➤ Residents participate routinely in recreational pursuits and active leisure. 	<ul style="list-style-type: none"> ➤ Residents routinely participate in or enjoy a diverse range of arts, culture and heritage opportunities. 	<ul style="list-style-type: none"> ➤ Synergetic, collaborative partnerships routinely see Invercargill out-performing similar sized provincial cities.
<ul style="list-style-type: none"> ➤ The Southland region contributes the highest export earnings per head of population in New Zealand. 	<ul style="list-style-type: none"> ➤ Invercargill is clean, green and pollution free. 	<ul style="list-style-type: none"> ➤ Invercargill and Southland produce successful sports teams, artists and performers. 	<ul style="list-style-type: none"> ➤ Perception surveys show Invercargill to be delivering positive results across the board.
<i>Council's role will be to:</i>	<i>Council's role will be to:</i>	<i>Council's role will be to:</i>	<i>Council's role will be to:</i>
<ul style="list-style-type: none"> ➤ Ensure that the building blocks for sustainable business are in place, including energy, water, communications and workforce. 	<ul style="list-style-type: none"> ➤ Provide or ensure provision of services that include a quality water supply and reliable, effective sanitation. 	<ul style="list-style-type: none"> ➤ Design spaces, buildings and roads with community safety and interest in mind, and encourage others to do the same. 	<ul style="list-style-type: none"> ➤ Provide good governance underpinned by a clear vision, intelligent strategies, robust plans and informed decision-making.
<ul style="list-style-type: none"> ➤ Attract a diverse range of business and industry to locate in Invercargill, targeting especially business that offer high skilled job opportunities. 	<ul style="list-style-type: none"> ➤ Provide or promote the provision of a diverse range of excellent quality and safe indoor and outdoor recreational facilities, both natural and man-made. 	<ul style="list-style-type: none"> ➤ Ensure that all projects / services consider how best they can cater for people with disabilities, the elderly, youth and families. 	<ul style="list-style-type: none"> ➤ Communicate effectively with ratepayers, be accessible and respond to community need.
<ul style="list-style-type: none"> ➤ Provide an environment that is business friendly and nurtures strong business. 	<ul style="list-style-type: none"> ➤ Provide and promote access to open spaces, including green spaces and the coast. 	<ul style="list-style-type: none"> ➤ Promote Invercargill actively as a great place to live, work, play and visit. 	<ul style="list-style-type: none"> ➤ Actively seek efficiencies through innovation, shared services and streamlining processes.
	<ul style="list-style-type: none"> ➤ Implement and protect distinct development zones across the district. 	<ul style="list-style-type: none"> ➤ Provide and promote a range of events that create vibrancy and build community. 	<ul style="list-style-type: none"> ➤ Actively advocate on behalf of communities for matters external to Council business, such as health, education and policing needs.
	<ul style="list-style-type: none"> ➤ Provide a quick and effective response to potential environmental hazards or nuisance. 	<ul style="list-style-type: none"> ➤ Support community-led revitalisation of Bluff, South City, Waikiwi, Windsor, Glengarry and the CBD. 	<ul style="list-style-type: none"> ➤ Develop and nurture partnerships with key stakeholders.

1.3.2 Contribution to Community Outcomes

Community Outcome	Council's Role in Achieving	How the Activity Contributes
A diverse and growing economy	Attract diverse range of business and industry to locate in Invercargill, targeting especially business that offer high skill job opportunities.	Investment Property supports appropriate commercial and economic development in the District environs through the purchase, sale and/or lease of land. Investment Property maintains and administers commercial, industrial, residential, rural and retail property that supports economic growth.
A city that is a great place to live and visit.	Promote Invercargill actively as a great place to live, work, play and visit.	The Investment Property activity provides an additional source of income to Council which helps decrease the costs to ratepayers.

1.3.3 Strategic Approach to the Activity

The Investment Property Activity maximises the returns of all the Investment properties held and at the same time, through prudent management, grows the Property portfolio.

The Activity reports to the Finance and Policy Committee of Council which reports to Council. Investment Property ensures that Council has a range of income sources to fund its activities, rather than relying on rates.

1.4 PLANNING AND POLICY FRAMEWORK

1.4.1 Relationship Between the AMP and the Operative LTP

The Investment Property Activity Management Plan (AMP) covers one of 23 activities

addressed in the Invercargill City Council Long Term Plan (LTP). This Plan is, therefore, strongly linked to the overall strategic direction for the District. The LTP is the document and process that alerts the community to the key issues and strategies contained in this document. The Activity Management Plan contributes project details to the next Long Term Plan.

1.4.2 Planning, Policy and Bylaws

The 1998/99 Business Plan - Investment Property Committee needs to be reviewed.

2. The Service We Provide

2.1 CUSTOMER PROFILE

2.1.1 Our Stakeholders and Community

The Investment Property Activity is a stand alone department whose client is the Invercargill City Council. Legislative constraints mean that endowment funds have to continue being invested in property.

The Investment Property Advisor has established friendly professional relationships

with other staff within the Invercargill City Council. These relationships enable the Advisor to undertake her duties with an understanding of Council's overall role and responsibilities. In addition the Advisor provides professional assistance to other Council departments who wish to undertake property transactions.

Organisation or Body	How the Council Intends to Work with the Organisation
<p><i>The Private Sector</i></p> <p>Professionals in the fields of law, valuation, surveying, architecture, developers and real estate and trades people.</p>	<p>Firm but friendly professional relationship has been developed over time.</p>

2.1.2 How we Engage our Communities

Council uses a number of means to engage the Community. Council holds Public Meetings and has a Facebook page where individual members of the Community can ask questions and express opinions to Councillors and staff members. The information gained from these is forwarded to Activity Managers for response and, if necessary, action.

2.1.3 Community Research

Because this Activity has a positive impact on rates, consultation with ratepayers on this Activity has not been undertaken. The Council represents the customer with respect to the Investment Property Activity.

2.1.4 Key Service Attributes Valued by Customers

The Invercargill City Council has invested in property within its district since 1879 with the express purpose of using income from property to offset rates. Any proceeds from the sale of Endowment Properties must be reinvested in other property. Endowment properties are those parcels of land that were detailed in Conveyance 12863, Deeds Register 29/690, 11 June 1879 and the Municipal Corporations Act in September 1956.

In addition, Council has expanded that role to incorporate strategic land purchases to facilitate the ongoing development of the City. The funds for these purchases are sourced entirely from previous sales of endowment

property. This Activity does not require any contribution from ratepayers, other than a small contribution for ongoing maintenance.

2.2 SERVICE DRIVERS

2.2.1 Community Expectations

The rentals charged for Endowment and Trading properties are commercially driven. (This Activity also manages other land such as land which has been purchased for strategic purposes and that which has been acquired through rating sales.) Registered Valuers assist Council in setting land and rental prices.

Endowment funds have to be reinvested into property.

Council is able to report globally on the success of this Activity but privacy issues prevent Council disclosing information on individual properties.

2.2.2 Legislative Requirements

The Investment Property Activity works within the law of the land with respect to property transactions.

Legislation and Planning Documents	Major Significance
<i>Relevant Legislation</i>	
Local Government Act 2002	Significant
Property Law Act 1952	Significant
Heritage New Zealand Pouhere Taonga Act 2014	Of Importance
Resource Management Act 1991 (District Plan)	Significant
Public Bodies Leases Act 1969	Significant
Health and Safety in Employment Act 1992	Significant
Local Government (Rating) Act 2002	Significant
Privacy Act 1992	Significant
Building Act 2004	Significant
<i>Relevant Regulations</i>	
Fire Evacuation of Buildings Regulations 1992	Significant
Resource Management (National Environmental Standard for Assessing and Managing Contaminants in Soil to Protect Human Health) Regulations 2011	Significant

2.3 CURRENT LEVELS OF SERVICE

2.3.1 Current Customer Levels of Service, Performance Measures and Targets

Community Outcome	Council's Role	How Investment Property Activity Contributes	Customer Level of Service	Measure of Service
A diverse and growing economy.	Attract diverse range of business and industry to locate in Invercargill, targeting especially business that offer high skills job opportunities.	Investment Property supports appropriate commercial and economic development in the District environs through the purchase, sale and/or lease of land.	A commercial return is received on Endowment and Trading properties.*	Rate of return is at least equal to the current market interest rate.

*Excluding land purchased for strategic purposes and land acquired through rating sales.

2.3.2 Current Technical Levels of Service, Performance Measures and Targets

Community Outcome	Intermediate Outcome	Technical Levels of Service	Performance Targets
A diverse and growing economy.	Attract diverse range of business and industry to locate in Invercargill, targeting especially business that offer high skills job opportunities and large employment opportunities.	Up-to-date lists kept on Strategic, Endowment, Investment and Properties Prepared for Sale.	100%
		All properties, excluding those prepared for sale, are leased.	100%
		Lease agreements are current and include rental levels.	100%

2.4 FUTURE LEVELS OF SERVICE

2.4.1 Desired Levels of Service

Community Outcome	Council's Role	How Investment Property Activity Contributes	Customer Level of Service	Measure of Service
A diverse and growing economy.	Attract diverse range of business and industry to locate in Invercargill, targeting especially business that offer high skills job opportunities.	Investment Property supports appropriate commercial and economic development in the District environs through the purchase, sale and/or lease of land.	A commercial return is received on Endowment and Trading properties.*	Rate of return is at least equal to the current market interest rate.

*Excluding land purchased for strategic purposes and land acquired through rating sales.

3. Demand for Our Services

3.1 DEMAND FORECAST

3.1.1 Factors Influencing Demand

This Activity Plan is based on the premise that Invercargill will continue to grow. By 2031 the Invercargill district's population will be approximately 53,400 with 22,200 dwellings. This growth scenario is based on the following assumptions:

1. Population growth will follow the Statistics New Zealand medium population projection for Invercargill, based on the 2013 Census (Table 3.1).
2. Average household size will remain constant at 2.3 people / household.
3. Statistics New Zealand Medium Household Projection is for 22,200 occupied dwellings. This is an additional 984 dwellings on those counted in the 2013 Census.
4. Development will occur throughout the district.

5. Unemployment will remain low (3.1% as at June 2014 for Southland).

6. Labour force participation rate will remain medium (69% in March 2014 for Southland).

7. Without migration the labour force will become smaller as the population ages (Table 3.2).

This means that a continuing high labour force participation rate, combined with low unemployment, an ageing population and increasing work opportunities, will cause positive migration into the district.

This Activity Plan provides the Council's direction for the next ten years - 2025 in the tables below.

	2001 Census	2006 Census	2013 Census	Series	Population at 30 June 2006					
					2006	2011	2016	2021	2026	2031
Invercargill City	49,833	50,328	51,696	High		53,500	55,400	57,100	58,600	59,900
				Medium	51,600	53,000	53,500	53,800	53,800	53,400
				Low		52,400	51,600	50,500	49,000	47,100

Table 3.1 - Invercargill Population and Projections 2006 - 2031 (Updated October 2012)

	0-14 Years	15 - 39 Years	40 - 64 Years	65 Years and Over
2006	10,500	17,100	16,600	7,500
2011	10,500	16,900	17,300	8,300
2016	10,400	16,700	16,700	9,700
2021	10,400	16,600	15,700	11,100
2026	9,900	16,300	14,900	12,600
2031	9,400	15,700	14,400	13,900

Table 3.2 - Projected Changes in Age Structure (Updated October 2012) Medium Projection

Estimates for 2006 is the estimated resident population of Invercargill. Projections for 2011-31 have as a base the estimated resident population at 30 June 2006 and incorporate medium fertility, mortality and migration assumptions.

3.1.2 Projected Growth or Decline in Demand for Services

This Activity Plan reflects Council's assumptions for the Long Term Plan, namely:

- (1) Population Projections - by 2031 the Invercargill district will have a population of 53,400 (51,696 in 2013).

Council is actively encouraging employment opportunities within the district with the development of the Awarua Industrial Estate. Given that Invercargill has high labour force participation rates it is assumed that additional people will move into the district when employment opportunities become available.

- (2) Population Age Structure - Invercargill's population will continue to age faster than the national average, which means that the proportion of the population over 65 will increase.

As the district's population ages and people retire from fulltime employment, employment opportunities will be created which cannot be filled from within the community. These vacancies create the opportunity to attract people (and their families) into the workforce from outside

the district. This migration will lessen the proportion in the 65 years plus age group but the trend will remain dominant.

- (3) Household Composition and Size - will remain constant at 2.3 people/dwelling. This will mean that an additional 984 dwellings will be required by 2031 (from the 2013 figure).

Invercargill has a medium home ownership rate (70%) and it is not anticipated that this trend will change within the next ten years. Medium home ownership rates provide a stable population and commitment to the community. Just less than 30% of Invercargill households are single person households.

- (4) Areas of Population Growth/Decline - Invercargill will experience slow growth which can be managed.

Given the assumption that the population of Invercargill will continue to increase there will be demand for additional housing, and therefore services. There will be pressure to expand infrastructural services beyond the existing urban areas. Low density connections to Council infrastructure do not lead to efficiencies in the supply of services or long term maintenance.

The location of expansion of infrastructure is a major decision which will influence Council's Asset

Management Planning. The private sector will also react to such decisions.

The Big Picture Spatial Plan and Council's proposed District Plan have highlighted further staged residential development in the north eastern area of Invercargill.

- (5) Employment - There will be an increase in employment opportunities within the Invercargill district.

Southland has a low unemployment rate (3.1% in June 2014).

Development of the Awarua Industrial Estate will cause increased employment opportunities within the district (assuming that there is no change in current employment levels).

- (6) Catastrophes - There will be no major catastrophes (local or remote) that impact on the City and its economy.

Catastrophes (local or remote) have the potential to impact on a community - especially those with an export focus.

- (7) Climate Change - Climate change will not significantly impact on the operation of Council's infrastructure within the next ten years.

The New Zealand Climate Change Office has produced a report "Climate Change Effects and Impacts Assessment - A Guidance Manual for Local Government

in New Zealand", May 2004, which predicts:

- Increased temperatures (with greater increases in the winter season).
- Decreased frost risk but increased risk of very high temperatures.
- Stronger west-east rainfall gradient (wetter in the west and drier in the east).
- Increased rainfall and frequency of extreme (heavy) daily rainfalls.
- Increased sea level.
- Increased strength of westerly winds.

Most of the impacts characterised in this report are expected to occur over the next 20 to 100 years.

Projections for Invercargill from the 2004 New Zealand Climate Change Office Report indicate a rise in average annual mean temperature of 0.1 to 1.3 degrees over the next 25 years. Rainfall is expected to vary from -2 to 15% over the next 25 years. The greatest rainfall increases are projected during winter.

Invercargill has experienced a history of flooding and has varying levels of protection in a design flood event. Flood protection works may also offer protection in a storm surge event.

Changes in the flows and quality of water courses which traverse the district as well as the surrounding sea environment have the potential to impact significantly

of the operation of the City's infrastructure.

- (8) Exercise of Resource Consents - There will be no change in the resource consent conditions relating to Council's water take or to its Foveaux Strait discharge.

Council assumes that it will get new discharge resource consents for its Sewerage and Stormwater Activities and that the conditions of these new consents will not be significantly different from those of the current consents.

Council had made the further assumption that no new resource consents will be required from the implementation of the Regional Policy Statement or Regional Plans.

Capital expenditure may need to be spent should the impacts of the National Policy Statement on Fresh Water, Regional Policy Statement or Regional Plans result in the need for further resource consents or changes to how Council delivers services.

- (9) Subsidies - Territorial authorities rely on government subsidies to assist with the funding of projects. New Zealand Transport Agency Subsidies make a significant contribution towards the Rooding Activity budget.

Lower than anticipated subsidies can result in service delivery costs needing to be met by other means or decreases in

levels of service. Council has assumed that rate funding will be used to meet any gap left by a decrease in subsidy.

- (10) Legislation - Central government has signalled potential significant changes to the Building Act, Health and Safety legislation and other legislation which may impact on Council and its activities. These changes can impose significant financial and service delivery costs on Council.

- (11) Delivery of Service - No changes to the current method of delivering Council services.

Council delivers services through a range of providers - in house provision such as regulatory services, engagement of contractors such as passenger transport and the payment of grants such as Venture Southland. Any change in the way an activity is provided will impact on the cost of the service and how this will be undertaken. Changes to the Local Government Act require Council to assess delivery of all of its services for cost effectiveness at a minimum of every six years. Council will continue to investigate the potential for shared services with neighbouring local authorities.

- (12) Local Authority Boundaries - There is potential for changes to the boundaries of the Invercargill district over the next 30 years. If changes are made to the

Invercargill City district's boundaries, the activities of Council and how they were provided would need to be reviewed, but it is assumed that the same services currently provided by Council would still be needed.

- (13) Significant Changes in the Invercargill or Southland Economy - There will be no significant changes to the Invercargill or Southland economy that require a direct Council response. The Long Term Plan is based on assumptions that there will be a gradual increase in population based on a growing economy. If there is a significant change, such as a large employer choosing to locate in the district, the potential demands on services and activities may require Council to review and change its current activities and levels of service.

3.1.3 Anticipated Changes in Demand for Services

Future investments are likely to be large properties with established buildings. These properties provide better returns, but can require more staff time due to tenant demands and maintenance requirements.

It is Council's experience that there are fewer rating sales during periods of economic growth. It is anticipated that all these properties, which return a nil return at present, will be sold by 2018/19.

Council has purchased rural land at Awarua with the intention of developing it for industrial

activity. This Activity Plan is based on the assumption that there will be an ongoing demand for large industrial properties within the district. This demand will mean that the Awarua strategic land purchases will have commenced within ten years.

3.1.4 Impacts of Changes in Demand

The Investment Property Activity is undertaken on a commercial basis. It is a separate activity within Council that has a commercial focus and is profit driven.

It is anticipated that over the life of this Plan the number of properties with nil return will reduce. Ultimately it would be desirable that nil return properties are on-sold within 12 months of ownership reverting to Council. Council becomes the ultimate owner of nil return properties when the previous owner has abandoned the property or as the result of a rating sale. As property prices have increased there have been fewer of these properties reverting to Council ownership.

Investment properties are reviewed in the light of current market trends and anticipated potential capital gains.

Investment properties purchased for strategic purposes are held to enable the City to develop in a positive way. The financial return on these investments is a secondary consideration.

3.2 DEMAND MANAGEMENT STRATEGY

3.2.1 Demand Management Initiatives

This Activity is commercially driven and self funding.

Investment properties are regularly reviewed to ensure that the best returns on investment are achieved. Investment property transactions are market driven as are the rentals received.

The Investment Property Activity has two areas of focus - the strategic purchase of property to promote prudent development and investment for the best economic return.

3.2.2 Funding of Service

The Investment Property Activity is self-funding. Investment properties are leased at current market rentals. New and reviewed rentals are based on current market values at times detailed in the individual lease agreements. A Registered Valuer assists with this process.

3.3 GROWTH AND DEMAND RELATED WORKS AND PROGRAMMES

The Investment Property Activity is reliant on the income from investment meeting or exceeding current market interests rates. It is not anticipated that additional capital will be made available which would allow for the additional purchase of property. Any acquisitions will be funded from the proceeds of previous land sales.

4. Potential Significant Negative Effects

4.1 POTENTIAL SIGNIFICANT NEGATIVE EFFECTS

The Investment Property Activity has a positive impact because it reduces the rate requirement. All transactions are made based on commercial considerations. The exception to these is investments with a strategic purpose. The financial return from these

investments is normally positive but may not be as great as the purely investment property returns. Some strategic properties have negative returns.

A negative effect of this Activity would be if the strategic land purchase of property at Awarua was not developed and on sold as anticipated.

5. Asset Profile

5.1 ASSET OVERVIEW

5.1.1 Asset Portfolio

The assets that relate to this Activity are land and buildings.

Under the New Zealand Institute of Chartered Accountants NZIAS 16, Council has adopted the Revaluation Model that results in Investment Property not being depreciated but revalued each year to the net realisable market value as assessed by a Registered Valuer.

The Investment Property portfolio consists of 96 separate parcels of land and 21 buildings on 17 sites. The total land area is 773.7344 hectares. In general terms the buildings are in fair to good condition with maintenance undertaken as required.

There are 17 properties containing buildings:

- 1276 Bluff Highway, Awarua (5)
- 141 Bond Street, Invercargill
- 136 - 150 Colyer Road, Awarua (2)
- 167 Colyer Road, Awarua
- 5 Hamilton Road, Awarua
- 2 Deveron Street - RSA Hall
- 10 Deveron Street - Former RSA Bowling Club

- 20 Spey Street - Rockgas
- 4 Tay Street - Pumpkin Patch Car Park
- 6 Esk Street West, Invercargill
- 8 Esk Street West, Invercargill
- 12-16 Esk Street West, Invercargill
- 10 Esk Street West, Invercargill
- 18 Esk Street West, Invercargill
- 66 Dee Street, Invercargill
- 16 Don Street, Invercargill

There are 59 leases in place, the majority of which are 21 year terms with rights of renewal in perpetuity. Upon expiry lessees are encouraged to renew with rent reviews assessed every five or seven years. If agreeable to the revised terms, lessees are given a 50% rent discount for the first five or seven year period. The majority of the land holdings are located within sought after commercial and industrial areas of the town and are leased to tenants who own their own buildings. In January 2008 Council amended its Long Term Plan to include a list of Endowment Properties. This enables Council to sell the properties and reinvest the proceeds without further consultation. A revised list will be included in the 2015 Long Term Plan.

Address	Legal Description	Area	Purpose
Commercial Leases			
71 Barrow Street, Bluff	Section 8, Block I, Town of Campbelltown (SL134/129)	0.1012	Not stated
72 Barrow Street, Bluff	Section 8, Block XII, Town of Campbelltown (SLA2/346)	0.0326	Not stated

Address	Legal Description	Area	Purpose
115 Barrow Street, Bluff	Lot 1, DP 5100 - Lot 2, DP 5349 (SL205/10)	0.1012	Trust as an Endowment for the benefit and improvement of the Borough of Bluff.
4 Tay Street, Invercargill	Lot 2, DP 4801 (SL186/105)	0.0759	Not stated
13 Clyde Street, Invercargill	Lot 2, DP 2659 (part of SL131/258)	0.0888	Endowment - Hall and Municipal Offices
17 Clyde Street, Invercargill	Lot 6, DP 2659 (part of SL131/258)	0.1647	Endowment - Hall and Municipal Offices
21 Clyde Street, Invercargill	Lot 7, DP 2659 (part of SL131/258)	0.0741	Endowment - Hall and Municipal Offices
26 Liddel Street, Invercargill	Lots 1, 3, 4 and 5, DP 2659 (part of SL131/258)	0.2489	Endowment - Hall and Municipal Offices
118-122 Dee Street, Invercargill	Section 13, Block LXXII, Town of Invercargill (SL1A/538)	0.1012	Not stated
150 Spey Street, Invercargill	Section 17, Block LXXV, Town of Invercargill (SL1A/266)	0.1012	Trust as an Endowment for the improvement and benefit of the City of Invercargill
14 Yarrow Street, Invercargill	Section 19, Block LXIX, Town of Invercargill (SL11B/239)	0.1012	Not stated
29 Yarrow Street, Invercargill	Section 7, Block LXX, Town of Invercargill (SL1A/260)	0.1012	In trust as an Endowment for the improvement and benefit of the City of Invercargill
26 Tyne Street, Invercargill	Part Section 21, Block IV, Town of Invercargill (SL1A/1349)	0.0809	In trust as an Endowment for the improvement and benefit of the City of Invercargill
194 Conon Street, Invercargill	Section 1, Block XXXVI, Town of Invercargill (SL1A/854)	0.1012	In trust as an Endowment for the improvement and benefit of the City of Invercargill
99-101 Spey Street, Invercargill	Section 5, Block LXXI, Town of Invercargill (SL1A/263)	0.1012	In trust as an Endowment for the improvement and benefit of the City of Invercargill
Farm and Grazing Leases			
155 Stead Street, Invercargill	Lot 1, DP 424778 (SL 497017)	101.0700	Endowment for Municipal Purposes
11 Old Bluff Highway, Awarua	Pt Blk XV Town of Greenhills (SLA PT 1A/377)	2.0234	Greenhills Quarry Reserve
14 Kekeno Place, Awarua	Lot 8, DP 338583 (SL 158867)	19.2445	Not stated
313 Bay Road, Invercargill	Lot 1, DP 2533 (SL129/291) Sec 158 Blk XV Invercargill Hundred (SL82-108)	23.6445	Endowment for Municipal purposes

Address	Legal Description	Area	Purpose
Industrial Leases			
94 Preston Street, Invercargill	Part Lot 1, DP 3497 (SL5B/477)	0.0343	Not stated
99 Preston Street, Invercargill	Part Lot 2, DP 6762 (SLB3/35)	0.0340	Not stated
55 Crinan Street, Invercargill	Lots 2-3, Part 1, DP 4621 (SL1A/347)	0.2427	Not stated
90 Mersey Street, Invercargill	Lot 1, DP 14274 (SL11C/10)	0.0960	Not stated
15 Spey Street, Invercargill	Lots 15 and 17, DP 2320 (SL5A/88)	0.1561	Not stated
96 Mersey Street, Invercargill	Lot 2, DP 14274 (SL11C/11)	0.1774	Not stated
102 Mersey Street, Invercargill	Lot 1, DP 4197 (SLB4/940)	0.2428	Endowment for the City of Invercargill
108 Mersey Street, Invercargill	Lot 1, DP 4203(SL10D/418)	0.4047	An Endowment for Municipale Purposes
108 Mersey Street, Invercargill	Lot 3, DP 6894 (SLA4/626) Lot 2, DP 6894 (SLA4/626)	0.1012 0.1854	An Endowment for Municipal Purposes subject to the Municipal Corporations Act 1954
25 Ettrick Street, Invercargill	Lot 8, DP 9661 (SL6A/473)	0.6947	Municipal Purposes
257 Bond Street, Invercargill	Lot 3, DP 15370 (SL12B/215)	0.8094	An Endowment for Municipal Purposes
91 Mersey Street, Invercargill	Lot 1, DP 15176 (SL12A/811)	0.4047	Not stated
152 Mersey Street, Invercargill	Lot 2, DP 387012 (348366)	0.3999	An Endowment for Municipal Purposes
116 Otepunu Avenue, Invercargill	Lot 2, DP 5826 (SLA4/556)	0.0506	Not stated
14 Mersey Street, Invercargill	Part Lot 14, DP 2320, Lot 1, DP 5360 (part of SL10B/799)	0.1937	An Endowment for the benefit of the city of Invercargill
192 Bond Street, Invercargill	Lot 1, DP 7987 (SL10D/424)	0.4047	Municipal
210 Mersey Street, Invercargill	Lot 1, DP 5889 (SL10D/425) Lot 14, DP 5116 (SL4A/622)	0.1657 0.2023	Municipal An Endowment for Municipal Purposes Subject to the Municipal Corporations Act 1954
101 Inglewood Road, Invercargill	Pt Lot 2, DP 4583 (SLA4/841)	0.2099	Not stated
156 Clyde Street, Invercargill	Lot 2, DP 4557 (SL1A/413)	0.0506	Endowment
154 Clyde Street, Invercargill	Lot 1, DP 4557 (SL1A/412)	0.0498	Endowment

Address	Legal Description	Area	Purpose
Residential Leases			
88 Foyle Street, Bluff	Sec 8 Blk XIII Town of Campbelltown (SL11C/841)	0.1012	Not stated
91 Conon Street, Invercargill	Lot 2, DP 4248 (SL1A/526)	0.0506	In trust as an Endowment
91 Earn Street, Invercargill	Section 1, Block XXXVI Town of Invercargill (SL1A/854)	0.1012	In trust as an Endowment for the improvement and benefit of the City of Invercargill
241 Crinan Street, Invercargill	Section 3, Block L, Invercargill (SL1A/403)	0.1012	In trust as an Endowment for the improvement and benefit of the City of Invercargill
50 Teviot Street, Invercargill	Section 21, Block XXXI, Town of Invercargill (SL1A/524)	0.1012	In trust as an Endowment
257 Etrick Street, Invercargill	Section 7, Block XLVIII, Invercargill (SL1A/426)	0.1012	In trust as an Endowment for the improvement and benefit of the City of Invercargill
118 Bowmont Street, Invercargill	Section 15, Block XXXIX, Town of Invercargill (SL1A/396)	0.1012	In trust as an Endowment for the improvement and benefit of the City of Invercargill
Council Buildings - Leased			
141 Bond Street, Invercargill	Lot 4 DP 14334 (SL11C/160)	1.6745	In trust as an Endowment for Municipal Purposes
∇ 6 Tay Street, Invercargill	Lot 3, DP 14147 (12B/525) (Note that there was an extra piece of land bought and included in the car park which legal description this is.)	0.157	Not stated
20 Spey Street, Invercargill	Lot 1, DP 401866 (SL405925)	0.6855	Not stated
2 Deveron Street, Invercargill	Section 12, Block III, Town of Invercargill (SLA1/275)	0.1012	Municipal buildings for the enjoyment and recreation of the public
10 Deveron Street, Invercargill	Section 11, Block III, Town of Invercargill Section 10, Block III, Town of Invercargill SO171 (SL1A/276 and SLA3/88)	50171 0.2024	Not stated
∇ 16 Don Street, Invercargill	Lot 1, DP 1359 (SLA3/1194) Section 3, Block LXXI, Town of Invercargill (SLA3/582) Section 19, Block LXXI, Town of Invercargill (SLB/194)	0.3036	
Council Buildings - Not Leased			
1276 Bluff Highway, Invercargill	Section 2, Block 11 and Sections 15 and 45, Block III, Campbelltown Hundred (SL193/618)	336.317	Not stated

Address	Legal Description	Area	Purpose
	Pt Sections 16 and 30A, Block III, Campbelltown Hundred (SLB/884) Lot 1, DP 14239, Sections 34 and 30B, Block III, Invercargill Hundred (SL193/616)		
136-150 Colyer Road, Awarua	Section 2, Pt Sections 4 and 5, Block 11, Campbelltown Hundred (SLB2/1142) Sections 8-9, Block II, Campbelltown Hundred (SL92/56) Section 22, Block II, Campbelltown Hundred (SLA2/538) Pt Section 1, Block II, Campbelltown Hundred (SL106/97)	213.8394	Not stated
167 Colyer Road, Awarua	Section 1, Block II, Campbelltown Hundred SO298 (SL6A/353)	20.4771	Not stated
5 Hamilton Road, Awarua	Pt Section 6, Block II, Campbelltown Hundred (SL9C/524)	41.1178	Not stated
6 Esk Street West, Invercargill	Lot 1, DP 5472 (SL204/4)	0.0321	Not stated
8 Esk Street West, Invercargill	Lot 4, DP 3130 and Lot 2, DP 4200 (SL4A/304) - Lot 1, DP 3130 (SL145/134)	0.0935	Not stated
10 Esk Street West, Invercargill	Lot 5, DP 3130 (SL181/163)	0.0306	Not stated
12-16 Esk Street West, Invercargill	Pt Section 12, Block I, Town of Invercargill (SL6B/200)	0.0267	Not stated
18 Esk Street West, Invercargill	Lot 1, DP 10278 and Lot 1, DP 4409 (SL6B/200)	0.0160	Not stated
66 Dee Street, Invercargill	Pt Section 16-17, Block I, Town of Invercargill (SL174/144)	0.0607	Not stated

∇ Properties Purchased from Endowment Funds
Table 5.1- Investment Properties (1 July 2014)

The following table relates to Council owned buildings which are leased by the Investment Property Activity. Four of these buildings are

used for commercial purposes, three for agricultural residencies, five for residential, one for industrial purposes and one for recreation.

Assets	Year Built	Year Upgraded	Description	Condition	Performance	Criticality	Remaining Life	Replacement value (\$000)
1276 Bluff Highway			4 tenants - residential	2	2	3		
141 Bond Street			1 tenant - industrial	4	3	3		
136-150 Colyer Road			2 tenants - agricultural	3	2	3		
167 Colyer Road			1 tenant - agricultural	2	2	3		
5 Hamilton Road			1 tenant - residential	4	3	3		
2 Deveron Street			1 tenant - recreational	3	3	3		
10 Deveron Street			1 tenant - commercial	2	2	3		
20 Spey Street			2 tenants - commercial	2	2	3		
4 Tay Street			1 tenant - commercial	3	2	3		
16 Don Street			5 tenants - commercial	3	2	3		

Table 5.2 - Schedule of Physical Assets

Key:
 1 = Very Good or Not Critical
 2 = Good Low Criticality
 3 = Moderate Moderate Criticality
 4 = Poor High Criticality
 5 = Very Poor Very High Criticality

5.1.2 Asset Values - Depreciated Replacement Cost

Investment Property assets are recorded at net realisable value and are not depreciated.

2013/14 \$000	Asset Component Class	Quantity	Useful Life (Years)	Remaining Life (Years)	Optimised Depreciated Replacement Cost \$000	Optimised Replacement Cost \$000
\$6,297	Industrial property	23	N/A	N/A	N/A	N/A
\$4,095	Commercial property	15	N/A	N/A	N/A	N/A
\$432	Rural property	4	N/A	N/A	N/A	N/A
\$190	Residential properties	7	N/A	N/A	N/A	N/A
\$12,850	Awarua Industrial properties	6	N/A	N/A	N/A	N/A
\$692	Properties being prepared for disposal	31	N/A	N/A	N/A	N/A
\$632	Development Property	6				
\$25,438		92				

Table 5.3 - Current Asset and Land Values (\$000) - 2014

Date of the last revaluation: 30 June 2014
 Firm who did the last revaluation: Trevor Thayer Valuations Limited
 Next revaluation due: 30 June 2015

Note: Table 5.3 differs from Table 1.1 on Page 2. This is because Table 1.1 reflects the current property portfolio at the time of preparing this document.

6. Managing Our Activity

6.1 OPERATIONS AND MAINTENANCE

6.1.1 Current Trends and Issues

Of the 59 leases held by Council in the Investment Property portfolio, the majority of leases are "Glasgow Leases". Glasgow Leases are for a term of 21 years with automatic perpetual rights of renewal. This means there is no rent review opportunity during the lease period. When a lease comes up for review, negotiations are entered into with the leaseholder with a view to incorporate five or seven-yearly rent reviews which more fairly reflects current market rentals. Those who take advantage of this offer receive a 50% rent rebate for the next five or seven years of the lease. There is no compulsion for lease holders to accept this change in rent reviews. This process commenced in 1999.

The Investment Property currently holds loans used to purchase strategic land at Awarua.

1. *Project: Strategic Property - Awarua Industrial Development*
 - (a) Reason for required loan: Property purchase
 - (b) When loan likely to be required: Taken out June 2006
 - (c) Amount of loan: \$1,910,090 (as at 30 June 2008)
 - (d) Nature of the funding required: Property purchase
2. *Project: Strategic Property - Awarua Industrial Development*
 - (a) Reason for required loan: Property purchase
 - (b) When loan likely to be required: Taken out June 2006
 - (c) Amount of loan: \$1,905,367 (as at 30 June 2008)
 - (d) Nature of the funding required: Property purchase
3. *Project: Strategic Property - Awarua Industrial Development*
 - (a) Reason for required loan: Property purchase
 - (b) When loan likely to be required: Taken out November 2006
 - (c) Amount of loan: \$372,447 (as at 30 June 2008)
 - (d) Nature of the funding required: Property purchase
4. *Project: Strategic Property - Awarua Industrial Development*
 - (a) Reason for required loan: Property purchase
 - (b) When loan likely to be required: Taken out March 2008
 - (c) Amount of loan: \$9,161,134 (as at 30 June 2008)
 - (d) Nature of the funding required: Property purchase

4. *Project: Strategic Property - Awarua Industrial Development*

(a) Reason for required loan: Property purchase

(b) When loan likely to be required: Taken out August 2008

(c) Amount of loan: \$900,000 (as at 30 June 2008)

(d) Nature of the funding required: Property purchase

All holding costs relating to the strategic Awarua land purchases are currently being capitalised.

6.1.2 How the Activity is Resourced

Position	Number employed in role
Investment Property Advisor	1

The Investment Property Advisor's role also includes management of day-to-day insurance activities, claim and annual revaluation and premiums assessments as well as project work relating to property transfers within the wider Council portfolio. Delegations are current - Council Resolution 21 January 2005. Staff dialogues are undertaken annually.

Maintenance is undertaken in response to a tenant's request, as well as results of staff inspections and professional judgement.

6.1.3 Summary of Future Costs

The Investment Property Activity is self-funding. Investment properties are leased at current market rentals. New and reviewed rentals are based on current market values at times detailed in the individual lease agreements. A Registered Valuer assists with this process.

The Investment Property Activity is required to have a positive effect on the rating

requirements for Council. The forecast for the next ten years is that \$200,000 (excluding GST) will be available annually from this Activity to offset rates.

This Activity is yet to develop an Asset Management Plan for Investment Property building assets. Apart from some strategic buildings, all buildings are in reasonable condition although some are beginning to show signs of ageing.

An allocation of \$30,000 per year has been made to cover anticipated maintenance.

The Investment Property Activity does not include building development. Maintenance of properties is undertaken to retain them in a tenable state.

Strategic procedures are maintained to a minimal standard that meets safety regulations.

7. Risk Management

7.1 RISK MANAGEMENT CONTEXT

7.1.1 Risk Framework / Standard

The adopted risk management process is consistent with Australian/New Zealand Standard AS/NZ 4360 which defines risk assessment and management.

Risk Management Context - The key risk criteria adopted for assessing the consequences of identified risks are:

- Community Health and Safety.
- Loss of Service - Extent/Duration.

- Service Deliver - Customer Impact.
- Invercargill City Council Financial Impact.
- Financial Community.
- Corporate Image and Reputation.
- Legal Compliance.

Risk Analysis - The likelihood and impact ratings used to determine initial risk ratings are defined in Tables 7.1 and 7.2 respectively.

Code	Descriptor	Description (probability)
A	Almost Certain	The event could occur in most circumstances, eg 90%+ chance of occurring in the next 12 months (or in 9 out of every 10 years).
B	Very Likely	The event will probably occur in most circumstances, eg 70% chance of occurring in the next 12 months (or in 7 out of 10 years).
C	Likely	The event should occur at some time , eg 50% change of occurring in the next 12 months (or in 5 out of every 10 years).
D	Unlikely	The event could occur at some time, eg 20 - 30% change of occurring in the next 12 months (or in 2 - 3 out of every 10 years).
E	Rare	The event may occur only in exceptional circumstances , eg up to 10% chance of occurring in the next 12 months (or once in 10 years).
F	Extremely Rare	The event may occur only in extremely exceptional circumstances, eg up to 2% chance of occurring in the next 12 months (or once or less in 50 years).

Table 7.1 - Risk Probability Ratings

Area of Impact	Weighting	Factor	6 Extreme	5 Major	4 Moderate	3 Low	2 Minor	1 Insignificant
Legal - Compliance	0.20	<i>Legal</i>	Imprisonment, substantial fines or liable for damages > \$500K	Significant fines or liable for damages > \$100K - \$500K	Fines or damages or liable for damages > \$20K to \$100K	Fines or damages or liable for damages > \$5K to \$20K	Fines and minor offence prosecution	Complaints
		<i>Environmental</i>	Catastrophic environmental damage. Prosecution. Impact permanent	Serious environmental damage. Prosecution. Impact not fully reversible.	Serious environmental damage. Prosecution. Impact reversible within 10 years.	Environmental damage. Prosecution. Impact reversible 3 year.	Environmental damage. Prosecution probable. Impact reversible 1 year.	Minor localised damage. Prosecution possible. Impact reversible within 3 months.
Corporate Image - Reputation	0.10	<i>Political</i>	Appointment of a Commissioner	Decision process break down.	Council decision deferred.	Council decision delayed.	Breakdown in relationships.	Adverse local political comment.
		<i>Image</i>		Negative national media coverage > 2 days.	Negative local media coverage for >5 days.	Negative local media coverage for <5 days.	Local media coverage.	Customer feedback only.
		<i>Councillor - Management Time</i>		Mayor - Councillors required to manage situation.	Senior Executive time required to manage situation.	Level 3 Managers required to manage situation.	Staff required to manage situation.	No formal response required.
Service Delivery - Customer Impact	0.15	<i>Service Delivery</i>	Loss of water supply and sewerage capability for several days for large portion of city.	Water supply and sewerage out for several days for a catchment or area.	Water supply and sewerage out for one day.	Water supply and sewerage out for group <50 customers for greater than one day.	Water supply and sewerage out for <4 hours.	Supply limited but operating for water and sewerage service.
			Large portion (>50%) of customer base affected.	Affects large number of (>100) of customers.	Affects limited (<100) customers.	Affects limited (20 - 75) customers.	Small isolated group (<20) affected.	Small group (<5) affected.
				Loss of confidence in Council to operate.	Loss of confidence in Council staff.	Problem escalates to a number of surrounding areas.	Systematic customer complaints.	Isolated customer complaints.

Area of Impact	Weighting	Factor	6 Extreme	5 Major	4 Moderate	3 Low	2 Minor	1 Insignificant
Invercargill City Council Financial Impact	0.20	<i>Financial</i>	Unplanned loss or cost to reinstate >5M	Unplanned loss or cost to reinstate \$1M to \$5M.	Unplanned loss or cost to reinstate >\$250K to \$1M.	Unplanned loss or cost to reinstate >\$50K to \$250K.	Unplanned loss or cost to reinstate >\$10K to \$50K.	Unplanned loss or cost to reinstate <\$10K.
Financial Community	0.15	<i>Financial</i>	Long term additional rate requirement >1M per year.	Long term additional rate requirement <500K per year.	Significant total loss of \$2M.	Significant total loss of \$500K.	Rates deferment of other projects to meet costs.	Budgeted work reorganised within year.
Community Health and Safety	0.20		Multiple loss of life.	Single loss of life or widespread long term hospitalisation.	Hospitalisation of a small group.	Medical treatment required.	Minor injuries.	Complaints.

Table 7.2 - Impact Ratings

Risk Evaluation - The matrix of likelihood and consequence of failure ratings shown in Table 7.3 below is used to assess the level of risk,

ranking events as low, moderate, high or critical risk.

Likelihood	Consequences					
	1	2	3	4	5	6
A	H	H	C	C	C	C
B	M	H	H	C	C	C
C	L	M	H	H	C	C
D	L	L	M	H	H	C
E	L	L	L	M	H	H
F	L	L	L	M	H	H

Table 7.3 - Risks Priority Rating Matrix

This allows all asset and corporate risks to be compared and ranked. The risk policy specifies the following broad treatment strategy for the levels of risk:

L = Low Risk

- Manage by routine procedures

M = Moderate Risk

- Management responsibility must be specified

H = High Risk

- Risk and management strategy identified in AM plan
- Failure management plans available

C = Critical Risk

- Risk and management strategy identified in AM plan
- Failure management plan specifically addressing event in place

Strategic Outcome	Level of Service Indicator	Caused By	Consequence									Controls	
			Health and Safety (0.20)	Service Delivery - Customer Impact (0.15)	ICC Financial Impact (0.20)	Financial - Community (0.15)	Corporate Image and Reputation (0.10)	Legal Compliance (0.20)	Averaged Weighted Consequences Score	Likelihood	Risk Severity	Current Practice	Recommended Actions
	Changes in levels of service delivery to be offered. Unexpected change in service delivery	Changes in statutory framework	1	3	2	2	3	4	2.45	B	H	Be aware of proposed law changes	Joint Local Government Association initiatives to respond to law changes. Political influence.
		Inability to retain staff and loss of corporate knowledge	1	3	3	1	3	2	2.10	C	M	Search nationally for suitable staff Nationally competitive in terms of working environment and remuneration	Shared Services options Succession planning
	Significant unplanned financial expenditure	Recovery time and cost from environmental disaster/pandemic	1	3	4	4	3	1	2.55	D	M	Prepared and ready to respond to event	Remain status of readiness
	Government intervention in governance	Community's loss of confidence in Council	1	1	1	1	5	5	2.20	C	M	Addressing issues raised in audits	Improve processes to best practice standard
	Assets require replacement sooner than programmed	Method of determining loss of service not being representative of approach taken	1	3	5	3	4	1	2.70	D	M	Recording quality of assets	Development of Asset Management Information systems
	Inadequate budget allocation	Activities unable to operate within set financial budgets	1	3	4	2	4	2	2.55	C	M	Level of activity does not meet Asset Management Plan or Annual Plan forecasts	Integrated asset, management and financial planning.

Strategic Outcome	Level of Service Indicator	Caused By	Consequence									Controls			
			Health and Safety (0.20)	Service Delivery - Customer Impact (0.15)	ICC Financial Impact (0.20)	Financial - Community (0.15)	Corporate Image and Reputation (0.10)	Legal Compliance (0.20)	Averaged Weighted Consequences Score	Likelihood	Risk Severity	Current Practice	Recommended Actions		
	Services not offered	Contractors failing to deliver agreed services	1	6	2	1	3	3	2.55	D	M	Enforcement of contract clauses	Continuation of current practice		
	Increases in legal challenge	Increased level of litigation by society	1	1	3	2	4	5	2.65	D	M	Working toward best industry practice eg accreditation, mediation	Continuation		
	Change in community's ability to afford Council services at proposed level	Economic downturn	1	3	4	4	2	1	2.45	D	M	Support for critical economic mass by development of Industrial Estate	Promotion of Awarua Industrial Estate Retain and expand work force		
		Reduction in number of ratepayers	1	2	4	4	2	1	2.30	E	L	Promotion of economic development	Promotion of Awarua Industrial Estate		
	Inconsistent/inappropriate management behaviour	Insufficient development and implementation of management policies	1	1	4	1	4	5	2.70	E	L	Staff Dialogues Developing policies	Development, adoption and implementation of policies and procedures		
	Deterioration of assets	Asset Management Planning not continuing to be developed or implementation adhered to	1	1	1	1	2	3	1.50	E	L	Basic Asset Management Plan	Development of Asset Management Information systems and advanced Asset Management Plan		

Table 7.4 - Corporate Risk Analysis

7.2 RISK IDENTIFICATION, ANALYSIS AND TREATMENT

7.2.1 Highest Ranked Risk Events

Strategic Outcome	Level of Service Indicator	Caused By	Consequence						Weighted Averaged Consequences Score	Likelihood	Risk Severity	Controls	
			Health and Safety (0.20)	Service Delivery – Customer Impact (0.15)	ICC Financial Impact (0.20)	Financial – Community (0.15)	Corporate Image and Reputation (0.10)	Legal Compliance (0.20)				Current Practice	Recommended Actions
	Commercial return less than current market.	Inability to secure leases for properties	1	1	2	1	1	1	1.15	E	L	Work closely with Consultants and Valuers to secure tenants.	No change
		Significant short term increases in market interest rate.	1	1	2	1	1	1	1.15	E	L	Set rentals at current commercial rates and keep rent reviews between 5 and 7 years. Continue to work toward elimination of Glasgow leases.	No change
	No demand for strategic property purchases at Awarua.	Current market values lower than Council's break even cost.	1	1	5	4	4	1	2.55	D	M	Holding costs capitalised until Plan Change operative.	Development of marketing plan for Industrial Estate.

7.2.2 Strategies for the Management of Critical Assets

There are four areas where business continuity needs to be considered for this activity:

1. Management of this Activity is undertaken from the Civic Administration Building in Esk Street, Invercargill. This building has an operational security system. All financial records are held on Council's computer system which is supported by professionals in the IT field. Data is backed up on a frequent basis and stored in a fireproof container. Much of the information supporting this Activity is in paper form, such as lease agreements, the originals of which are held at the City Solicitors (Preston Russell Law). While damage to all or some of these systems would be inconvenient, it would directly impact on the income stream from this Activity.
2. In the event of a disaster, property with a nil return may be left in a state where remedial work may have to be undertaken. For example, in a flood event, properties may be left with debris that needs to be removed.
3. In the event of a disaster, properties where the lease is for the unimproved land, the liability for any clean up or remedial work would be with the lessee. Income from these properties would not alter.
4. In the event of a disaster, properties where land and buildings are leased, it would be the responsibility of the Investment Property Activity to undertake and pay for any clean up or remedial work. In a situation where buildings are damaged and cannot be occupied there may be a negative impact on income. To mitigate against this situation, Loss of Profit Insurance cover is held by Council.

8. Financial Summary

Ten year budgets to be inserted once adopted by Council.

9. Asset Management Practices

9.1 ASSET MANAGEMENT SYSTEMS

The Investment Property Activity is predominately evolving from a paper based system with original documents held by the City Solicitor. A combination of electronic and working paper copies are held at the Council offices. A comprehensive confidential file for each property managed for investment purposes is held in a fireproof strong-room. A joint file is held for nil return properties.

9.2 ACCOUNTING/FINANCIAL SYSTEMS

Council activities are supported by the Finance and Corporate Services Directorate of Council who undertake all accounting practices. This is consistent with good accounting practice.

The Invercargill City Council uses a product called TMI for the preparation and aggregation of the financial aspects of the Long Term Plan.

The product is Excel based and is particularly user friendly to carry out the modelling required for a ten year period. It is also able to accommodate variables such as inflation and other pricing movements. Council has used 2013/14 sectional budgets as a base for the Long Term Plan, with specific variations as required by section managers for succeeding years.

The financial section of the Long Term Plan will be prepared in accordance with generally accepted accounting practices outlined by the New Zealand Institute of Chartered Accountants and in accordance with the provisions of the Local Government Act 2002.

9.3 ASSET MANAGEMENT DATA CONFIDENCE

All assets are recorded in the Assets Registers and the Registers are "right up to date"	Right up to date - complete and correct	Reasonably up to date	A fair bit of work needs to be done to get them up to date	A lot of work needs to be done to get them up to date
All information in the Asset Registers is recorded at component level	All			
No assets that have been disposed of are still listed in the Asset Registers	None			
The quality of the information that is held about the Council's assets (and which is recorded in the registers) is considered to be:				
➤ Location		Reliable		
➤ Material type		Reliable		

➤ Age		Reliable		
➤ Condition		Reliable		
➤ Performance		Reliable		
➤ Capacity		Reliable		
➤ Criticality		Reliable		
➤ Remaining life		Reliable		
Overall confidence level in knowledge about the assets which form the basis of this valuation		Reliable		

**9.4 INFORMATION FLOWS
REQUIREMENTS AND PROCESS**

Actions and decisions made by this Activity are confidential to the parties concerned. Public disclosure is not desirable.

10. Continuous Improvement

10.1 CURRENT ASSET MANAGEMENT PRACTICE

	Type	Quite Inadequate	Needs a lot of improvement	Quite good, but could be improved in some areas	Very Good	Comments
Management				X		Direction for activity needs to be clarified.
Of the Department (Leadership)	PD					
Of the staff on a daily basis	PD					
All work planned for the year completed within the year, to the predetermined standard required, within the predetermined timeframe, for not more than the budgeted cost	OP					
Technical Competence					X	Signed contracts for significant contracts. Contracts with professional service providers.
New works design	OP					
Project Management	OP					
Management of contractors (especially Network Maintenance Contractors)	OP					
Maintenance organisation and management	OP					
Other technical skills required by this service	PD					
Forward Planning and the Setting of Priorities				X		
The completeness and overall quality of the priority setting and financial forecasts and assumptions for the next 20 years	OP					
For maintenance and operations (for the next 10 years)						
For new capital (for the next 20 years)	OP					
For renewals (for the next 10 years)	OP					
Communications / Relationships					X	Professional, firm and fair relationships developed with clients.
With customers	CS					
Written (letter writing)	CS					

	Type	Quite Inadequate	Needs a lot of improvement	Quite good, but could be improved in some areas	Very Good	Comments
Verbal (phone)	CS					
Verbal (personnel contact)	CS					
With elected representatives (where relevant)	CS					
With other departments	CS					
Within the department	PD					
Financial management					X	Investment Property activity has performed well against budget targets.
Budgets preparation (quality, completeness, and timeliness)	OP					
Adherence to budgets once approved	OP					
Always aware of costs against budget throughout the year	OP					
People				X		One person employed in this activity.
Job breakdowns / job instructions / work guidelines / practice notes available for all relevant tasks and all up-to-date	PD					
All staff delegations up-to-date	PD					
All warrants up-to-date	PD					
Knowledge of the Physical Assets				X		Asset Management Plan to be developed.
How well the physical assets that have to be managed are understood	OP					
Location	OP					
Material type	OP					
Condition	OP					
Capacity	OP					
Age and remaining life	OP					
Performance	OP					
Criticality	OP					

	Type	Quite Inadequate	Needs a lot of improvement	Quite good, but could be improved in some areas	Very Good	Comments
Support Services					X	Modern office furniture and office space are provided.
Administrative support	PD					
Financial support	PD					
Office accommodation	PD					
Office furniture and equipment (work tools)	PD					
Transport	PD					
Record keeping (completeness and easily accessible)	PD					
Complete and up-to-date policy manual	PD					
Performance Management				X		Annual Performance Reviews held.
Sufficient and appropriate performance measures	OP					
Sufficient and appropriate performance targets	OP					
All measures and targets being monitored	OP					
Monitoring results promptly reported (at all relevant levels)	OP					
Performance trends (over several years) clear and understood	OP					
Performance results actually used to improve performance	OP					
All employees regularly being given "true" feedback about their performance	PD					
Business Continuity					X	Loss of profit insurance cover held.
Disaster Plans up-to-date	OP					
Legislative Compliance					X	None known.
No known areas where legislative requirements not being fully complied with	OP					
Strategic Advice				X		Clarification of the direction for this activity required.
The general quality (and timeliness) of strategic advice (and the extent to which the strategic policy approach	SA					

	Type	Quite Inadequate	Needs a lot of improvement	Quite good, but could be improved in some areas	Very Good	Comments
for this activity is clearly specified, continues to be appropriate, and is up-to-date)						
The quality and timeliness of reporting to the elected Council and its Committees	CS					Timely reporting to Council.

Key: CS = Customer Service
 OP = Organisational Performance
 PD = People Development
 SA = Strategic Advice

10.2 IMPROVEMENT PROGRAMME

Item	Appendix Relative urgency						Smart Objective	Activity Improvement Priority and Type		Responsible Person	Target Date for Completion	* Status	Completion Date
	1	2	3	4	5	6							
Review Glasgow leases.		X					Leases reviewed when they fall due to incorporate five or seven yearly rent reviews.	OP	3	Investment Property Advisor	Ongoing	IP	
Development of an Asset Management Plan for Investment Property buildings.			X				Asset Management Plan adopted by June 2018.	SA	5	Investment Property Advisor	30 June 2018	NS	
Development of a Marketing Plan for proposed Awarua Industrial Estate.		X					Marketing Plan developed within six months of positive District Plan change decision.	OP	1	Chief Executive	31 December 2009	NS	
Determine management structure for managing the Awarua Industrial Estate.		X					Management structure determined within six months of positive District Plan change decision.	OP	2	Chief Executive	31 December 2009	NS	
Review 1998/99 Business Plan - Investment Property Committee.		X					Review completed 30 June 2009.	SA	4	Investment Property Advisor	30 June 2016	NS	
Service level agreement				X			Agreed and completed 30 June 2016	SA	4	Financial Controller / Investment Property Advisor	30 June 2016	NS	

10.3 IMPROVEMENTS FROM 2011 AMP

➤ *Awarua Industrial Estate Direction*

Council wants to maintain the economic critical mass of the Invercargill district. Council has been involved for many years in developing industrial land within its district for industrial purposes, for example, Bond Street and Kekenon Place. There is presently limited land available for large scale industrial activities. Research has shown the Awarua area to be suitable for large scale industry and a large undeveloped industrial estate would have strategic importance for the southern half of the South Island.

Council has purchased 611.75 hectares of land at Awarua with the aim of developing an industrial estate for large scale industries. Land purchase costs of approximately \$9.5 million have been made. Holding costs (purchase costs, interest costs, insurance costs, and rates less rental income) are being capitalised. Infrastructure costs will total approximately \$20 million and be funded from within this Activity.

To enable the land to be developed for industrial purposes a change to the District Plan was required. A Plan Change re-zoned the land from Rural to Industrial. Once the land was rezoned to Industrial a Marketing Plan was developed for the site. Council intends servicing the land and recouping these costs as part of the purchase price of the land.

Council is investigating the most appropriate management structure for this development. Options include - continue management within the Investment Property Activity, sell to a property company within the Holdco umbrella, partnership with the private sector.

Council's fallback position is to on-sell the land for rural purposes.

➤ *Purchase of Strategic Property*

Esk Street West

Dee Street

Don Street

10.4 MONITORING AND REVIEW

Compliance with Levels of Service will be reported annually in Council's Annual Report.

The Director of Finance and Corporate Services has delegated authority to sell property being prepared for disposal at a value that at least equals the latest Rating Valuation. Transactions are reported to the next meeting of the Finance and Policy Committee of Council.

All other transactions, both purchases and disposals, are authorised by a meeting of the Finance and Policy Committee.

This Activity is benchmarked against current market interest rates. Endowment and Trading properties are intended to deliver a return at least equal to the current market interest rate.

11. Glossary

12. Appendices