



INVESTMENT PROPERTY

ACTIVITY MANAGEMENT PLAN 2017



Activity Management Plan

Activity	Investment Property		
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Council Adoption			

Changes to be incorporated in next Review

Number	Date of Change	Reason for Change
8.2 Financial Summary – What the Activity Costs 8.2.1 Council Funded Programmes	15-11-17	Updated Financials

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Executive Summary

The Investment property Activity manages property owned by the Invercargill City Council. This includes monitoring financial returns and all maintenance, capital and tenant requirements of leased properties. The department also oversees all Council related insurance activities and other property transactions.

Investment property operates within a strong regulatory and legislative environment while maintaining a focus of the Council's Community Outcomes, with particular importance being placed on the outcome:

Invercargill's economy continues to grow and diversify

Investment Property has a range of key stakeholders with emphasis placed on Invercargill ratepayers and tenants or lessees. This allows the department to be attentive to the service expectation valued by our customers and deliver to the level of service, performance measures and targets set by the Council.

The key challenges for delivering this Activity are:

- Deriving commercial returns from leases held under the 21 year Glasgow perpetual lease arrangements.
- Vacant land not returning income and having holding costs associated with them.
- Exploring and investigating future uses and viable opportunities for strategic property.
- Maintaining strategic land and buildings to an acceptable level whilst endeavouring to minimise holding costs.
- Overseeing known contaminated land sites – strategy for future investigations, costs and site management.

These key challenges are to be met in the following ways:

- Creation of a disposal plan for vacant land or land where performance evaluation is below requirements.
- Periodic review of strategic properties to identify non-strategic and poor performing assets.
- Greater use of professional consultancy.

Investment Property expects the demand for our service to remain relatively stable, with attention on the profile of our asset portfolio to ensure improvement over the life of the plan. This will be achieved by divesting of uneconomic land and/or buildings while reinvesting in more modern buildings. Sound investment decisions will be supported by a Better Business Case approach.

The management of the activity will continue to focus on good lease management practices and maintenance requirements on a mainly reactive basis with established contractors, while continuing to provide insurance and other property services.

The reporting and monitoring of the activity is done via the Finance and Policy Committee and continued Governance direction will be sought from this Committee on key strategic decisions over the life of the plan.

1. Introduction

1.1 ABOUT THIS PLAN

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

Investment Property manages and controls the activities of Investment Property owned by the Invercargill City Council including monitoring and reviewing returns being achieved on individual investment properties.

This Activity adheres to recognised commercial property management principles in the administration of Council properties, including leasing, management, acquisition and disposal of land and buildings. There is an emphasis on establishing and maintaining a good liaison with tenant occupiers and also ensuring properties are maintained to an acceptable standard.

The Investment Property Activity ensures that other Council departments have at their disposal the assistance required to undertake property transactions and projects. In addition, this Activity facilitates all Council related insurance functions, oversees the dairy farm operation at Awarua and carries out projects as required, including such things as sub-divisions and development sites.

2. Strategic Context

2.1 ALIGNMENT WITH STRATEGIC GOALS

2.1.1 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 Councils vision:

“To enhance our City and preserve its character while embracing innovation and change.”

Community Outcomes		
Enhance our City	Preserve its Character	Embrace Innovation and Change
We will know success when:		
Invercargill's population is over 1.2% of the New Zealand population.	Invercargill is celebrated for preserving its heritage character.	Invercargill's culture is embraced through Community projects.
New residents feel welcomed and embraced by Invercargill culture.	Ease of access throughout the City is maintained.	The development of future industry is encouraged.
Healthy and active residents utilise space, including green space, throughout the City.	Our natural and existing points of difference are celebrated.	Technology is utilised in both existing and new City services.
Invercargill's economy continues to grow and diversify.	The building blocks, including water, sanitation and roading, for a safe, friendly City is provided for all members of the community.	Residents of, as well as visitors to, Invercargill give positive feedback and have great experiences.
Invercargill's business areas are bustling with people, activities and culture.	Strong, collaborative leadership of the City is demonstrated.	Invercargill has the ‘wow factor’ with the right facilities and events to enjoy.

2.1.2 Rationale for 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 (land being prepared for disposal) form the Investment Property portfolio.

There are four groups of investment properties:

1. Strategic properties which are held for purposes other than immediate return (potential future development).
2. Endowment properties which have been either allocated (per above) or purchased from endowment funds.
3. Trading properties (fee simple, no classification on title, currently leased).
4. Other properties (land) being prepared for disposal, usually acquired through rating sale or abandonment.

2.1.3 Activity Objectives

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

- a) To ensure that Council's Investment Property is maintained to an appropriate standard and in order to improve the quality of the portfolio.
- b) To promote appropriate development around the Invercargill area for industrial and commercial purposes.
- c) To provide a continuing source of income to Council.

This Activity reports to the Finance and Policy Committee of Council which reports to Council.

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.

The alignment of the Investment Property Activity and the Community Outcomes is demonstrated in the table below.

Community Outcome	Council's Role	How the Activity contributes
Invercargill's economy continues to grow and diversify	Attract diverse range of business and industry to Invercargill, targeting business that offers high skills job opportunities.	Investment property supports appropriate commercial and economic development in the District environs through the acquisition, disposal and/or lease of land and buildings.

How this activity achieves the community Outcomes above is further developed in Section 3.3 – Levels of Service.

2.2 BUSINESS DRIVERS

2.2.1 Regulatory Framework

Council operates under a number of legislative frameworks, the Local Government Act 2002 and Health and Safety at Work Act 2015 are the most prevalent to Council core business.

The Local Government Act is the overarching framework that regulates what Council's scope is as well as their ability to conduct day-to-day business.

The Health and Safety at Work Act ensures that as an employer we are meeting all requirements to care for our employees in a safe manner at all times.

Both aspects of legislation are paramount to the day to day running of business and most departments within Council will operate under specific provisions of both Acts, alongside any other relevant legislation.

2.2.2 District Plan and Council Policies

Under provisions provided in the Local Government Act 2002, Council has the ability to create policies, bylaws and plans. Council operates under a number of policies, some internal. These policies are reviewed regularly in line with legislative requirements.

Council currently operates under a number of bylaws, some that were created out of need to resolve nuisance and others that are requirements under the Local Government Act or were resolved to become a bylaw through Central Government.

Further, Council operates under a District Plan. This Plan is derived through the Resource Management Act 1991. It gives effect to national policy statements on a variety of environmental issues, and is about managing the use, development and protection of natural and physical resources in a way that enables the community to provide for their holistic wellbeing.

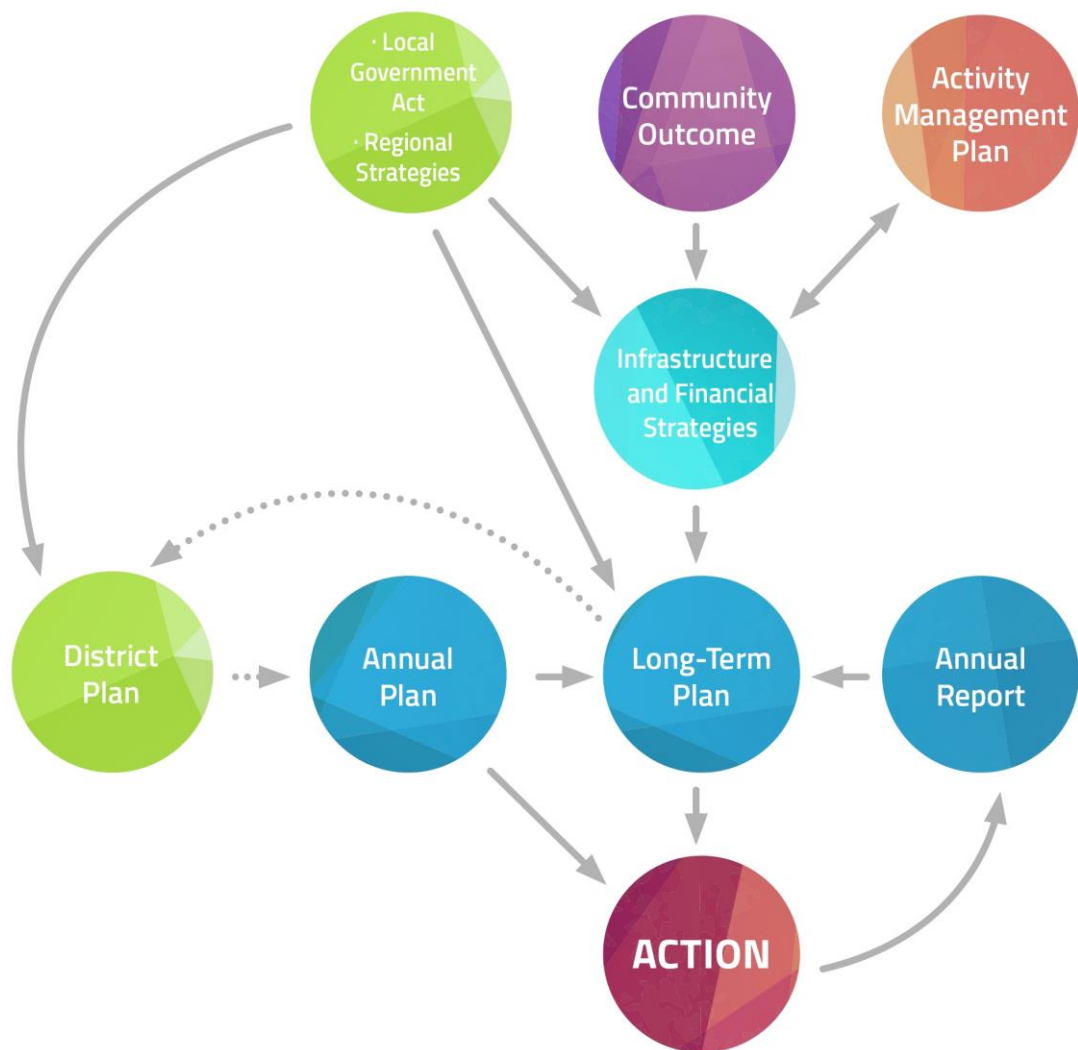
2.2.3 Long-Term Plan

The Local Government Act 2002, Schedule 10 requires the development of a ten-year Long-Term Plans. Activity Management Plans are the foundation to providing a robust basis for the long-term forecasts.

The Activity Management Plan records the current and desired Levels of Service and determines the Maintenance and Capital Works Programmes and their associated budgets required to make assets meet their desired Levels of Service.

- The Long-Term Plan confirms Maintenance and Capital Works Budgets that are approved by Council to meet Community outcomes.
- Activity Management Plan underpins the activities in the Long-Term Plan and is implemented through expenditure programmes in asset areas. Adoption of the budgets for these programmes is carried out through the Long-Term Plan process. Changes to budgets for programmes may occur during the consultation process and adoption of Long-Term Plan budgets.

Variations between this Plan and the most recently adopted Long-Term Plan/Annual Plan are recorded in the "Table of Changes to be Incorporated in Next Review" at the beginning of the Plan. The consequences of any variations will be reflected in subsequent reviews of the Long-Term Plan/Annual Plan.



2.3 STRATEGIC ISSUES AND CHALLENGES

The key corporate strategic issues and challenges facing the Invercargill City Council are:

- Meeting our long-term renewal expectations for infrastructure.
- Encouraging growth projects whilst ensuring financial and operational sustainability for future generations.
- Ensuring that Council works in a financially prudent manner that promotes the current and future interests of the Community.
- The City's changing demographic profile and its ability and willingness to pay.
- Responding to the changing environment (both natural and technological) and retaining Invercargill's character including its build environment.

2.4 KEY ASSUMPTIONS

This Activity Plan is based on a number of assumptions and predictions about the future. Assumptions are a "best guess" based on the information currently available. Included as Appendix 1.01 are the assumptions that Activity Managers have utilised in preparing their plans.

The following high-level assumptions have set the overall direction for the development of this Plan.

Assumption	Level of Uncertainty	Area of Impact and Potential Financial Impact
Population The population will increase to 56,300 by 2028.	Moderate – risk that actual numbers will vary.	Infrastructure and Housing. Significant increases in population may create a demand for infrastructure and services beyond existing capacity. Significant decrease in population would adversely impact on the community's ability to fund current levels of infrastructure and services.
Household Growth An average of 2.3 people per household in 2038, requiring 2,300 more homes from the 2013.	Moderate – risk that actual numbers will vary.	Infrastructure and Housing. Significant increases in the number of households may create a demand for infrastructure and services beyond existing capacity.
Ageing Population Those 65 years and older will make up approximately 22% of Invercargill's population by 2023.	Low – increasingly older population is reasonably certain.	Council Services and Recreation Assets. An increase in the number of those people 65 years and older will increase the number of ratepayers on fixed incomes and may have an impact on the ability of the community to afford infrastructure and services.
Resource Consents Resource consents will be obtained with reasonable conditions and negligible impact on how Council provides its services.	Moderate – change is imminent but extent of which is unknown.	3 Waters Capital expenditure may be required if the conditions attached to resource consents require changes to how Council delivers its services.
Tourism and Visitor Numbers Tourism numbers will increase over the Long-Term Plan period.	Low – various city-wide endeavours to boost tourism.	Venture Southland, SMAG, Council Services and Recreation Assets. Significant increases in the number of tourists may create a demand for infrastructure and services beyond existing capacity. Significant decrease in the number of tourists would adversely impact on the commercial community's ability to fund current levels of infrastructure and services.

Assumption	Level of Uncertainty	Area of Impact and Potential Financial Impact
New Zealand Transport Agency That the NZTA Funding Assistance Rate will reduce by 1% each year until a low of 51%.	Low – NZTA have stated in plans that this will occur.	Roading. Lower than anticipated subsidies can result in service delivery costs needing to be met by other means or a decrease in the level of service.
Commercial Property The CBD will remain in the Esk Street area and will become more vibrant.	Low – risk exists due to uncertainty of CBD future, but Council has recently adopted a Retail Strategy and there has been recent investment in the CBD area both by Council and private investors.	Infrastructure, Housing and Roading. Significant decrease in the number of commercial ratepayers would adversely impact on the commercial community's ability to fund current levels of infrastructure and services.
Inflation Inflation will occur at the rates set by BERL as LGCI forecasts.	Moderate – inflation forecasts are not always accurate.	Cost change factors are based on information developed for Council's by Business and Economic Research Limited (BERL). Significant variations from these adjustments will be identified in future Annual Plans and Annual Reports.
Local Economy The local economy will grow and diversify.	Moderate – financial impact difficult to forecast.	Composition of local economy may diversify offering greater employment opportunities. Significant change to the economy, such as a large employer choosing to locate in the District, may require Council to review and change its current activities and levels of service. These demands will need to be quantified and an amendment to the Long-Term Plan developed if the costs are significant.
Useful Life of Significant Assets Assets will reach the useful life indicated when supplied.	Moderate – asset lives based on estimates by Engineers and Registered Valuers.	A shorter useful life for assets would create a financial burden on the community.

Assumption	Level of Uncertainty	Area of Impact and Potential Financial Impact
Depreciation Council will fully fund renewal depreciation by year 10 of the Plan.	Low – asset depreciation rates will not change and the value of assets will remain constant.	Changes in the valuation of Council assets may have a significant impact on the cost of fully funding depreciation.
Asset Revaluation Council will use national standards in asset revaluation.	Moderate – value will remain somewhat constant over ten years.	Changes in the valuation of Council assets may have a significant impact on the cost of fully funding depreciation.
Vested Assets Vested assets will have a negligible impact on Council's overall infrastructure and finances.	Low – financial effect of uncertainty.	Level of vested assets fluctuates yearly. Historical levels have not been material.
Financial – Existing Funding Renewal Council borrowing facility will be renewed (three-yearly) with the terms and conditions mirroring market trends.	Medium	Council's terms and conditions for its borrowing facility have mirrored market trends in recent times.
Financial – Expected Interest Rates on Borrowing Interest on future borrowing has been calculated at 4.75% for 2018/19, 5.00% for 2019/20, 5.50% for 2020/21 – 2022/23, 6.00% for 2023/24 – 2025-26 and then 6.50% for the remaining years. This is based on Council's current borrowing rates which are hedged for a number of years into the future, as well as consideration of economic forecasts.	Medium	Higher than expected interest rates on borrowing will require Council to consider collecting a greater amount in rates to cover the additional interest costs or reducing the amount borrowed (and level of service provided).

Assumption	Level of Uncertainty	Area of Impact and Potential Financial Impact
<p>Financial – Forecast on Return on Investments</p> <p>Return on cash investments is calculated on the borrowing rate less 2%.</p> <p>Dividends and subvention payments from Invercargill City Holdings Limited are assumed to be at 10% of the total rates requirement.</p>	<p>Medium</p>	<p>Lower than expected returns on investments will require Council to consider collecting a greater amount in rates, reduce spending or increase borrowings to cover any reduction in income.</p>
<p>Local Governance</p> <p>Amalgamation will not occur during the life of the Plan.</p>	<p>Low – to continue shared services, although amalgamation is low risk.</p>	<p>Shared Services, Policy and Governance</p> <p>Boundary changes would require a review of the Long-Term Plan with its associated community consultation.</p>
<p>Legislation</p> <p>There will be changes to legislation that have an impact on what and how Council provides services.</p>	<p>Moderate – difficult to know what central government will implement particularly if a change in government.</p>	<p>Services, Finances and Governance</p> <p>Significant legislative change can impose significant financial and service delivery costs on Council.</p>
<p>Natural Disasters</p> <p>There will be no major catastrophes that impact on Invercargill or its economy.</p>	<p>High – it is certain the Alpine Fault will rupture in the future but uncertain as to when and the impact.</p>	<p>Infrastructure, Services, Housing and Population</p> <p>A Civil Defence emergency in the District would impact financially on Council and the community. The financial risk to Council is reduced by maintaining insurance cover for emergency events.</p>
<p>Climate Change</p> <p>Climate change impacts will arise over the life of the Long-Term Plan and current trends will be allowed for when planning infrastructure and services.</p>	<p>Moderate – Long-term trend of rising temperatures and more frequent intense weather events is reasonably certain, short to medium term impacts are less certain.</p>	<p>Water availability, coastal hazards (roading and infrastructure), services, air quality, agriculture, farming and biosecurity.</p> <p>The effect of Climate Change occurring more quickly than anticipated may require Council to review and change its current activities and levels of service. This could have a significant financial impact on the community.</p>

Assumption	Level of Uncertainty	Area of Impact and Potential Financial Impact
Technology Changes in technology will affect how Council carries out its activities. This will have a financial implication over the 10 year plan.	High – certainty of diversification in technology is ever-growing. Impact of changing technology cannot be quantified.	Employment, Local Economy and Services (delivery) New technologies will likely have an increased financial cost in the short term.
Education SIT will continue to promote Invercargill to international students.	Moderate – education systems that exist are likely to remain stable.	Infrastructure, Services, Population and Housing
World Economy The world economy will not have a significant negative effect on the Invercargill City District.	Moderate – future financial changes are unforeseeable.	Infrastructure and Tourism A major event in the World Economy could affect Tourism and the implications of lower / higher tourist numbers would occur.

The Assumptions document outlines the risk to the Council if the assumption is incorrect or does not eventuate as stated, the level of any uncertainty associated with assumptions and the potential impact on the Long-Term Plan if the assumption proves invalid. Assumptions are monitored and reviewed annually. Where significant changes occur, our work programmes and budgets will be amended and changes signalled in future annual plans or through amendments to the Long-Term Plan.



INVESTMENT PROPERTY ASSUMPTIONS

It is Council's experience that there are fewer rating sales during periods of economic growth. It is anticipated that these Investment properties (predominantly vacant land) which have a nil return will be disposed of during the life of the current Long-Term Plan.

It is anticipated that as future rent reviews fall due on Investment land lease sites, predominantly industrial and commercial land, there will be increasing requests for freeholding of the land by the Lessee's. Proceeds from the sale of Endowment land must continue to be invested in property, as per the original purpose of the land.

It is assumed that disposal of the following Investment Property, as indicated in Section 5 Asset Profile, will proceed with sale proceeds being allocated per purpose as stated on Certificates of Title. These properties are:

- 2 Deveron Street
- 10 Deveron Street
- 13 Clyde Street
- 17 Clyde Street
- 21 Clyde Street
- 26 Liddel Street

(To be reviewed before June 2018).

3. The Service We Provide

3.1 CUSTOMER PROFILE

3.1.1 Our Stakeholders and Community

External Stakeholders	Area of Interest	Engagement
Invercargill Ratepayers	Positive rates impact and general property enquiries	Consult through plans and upon request
Tenants/Lessees (including Community Groups)	Occupiers of Council land and/or buildings	Rent reviews, rent renewals and as required
Awarua Farm Committee and Sharemilkers	Management and operation of Awarua Dairy Farm	Quarterly meetings plus regular contact
Insurance Brokers/Providers	Council Insurances	Liaise and facilitate
Contractors and Consultants	Building maintenance and assessments	Liaise when required
Audit New Zealand	Governance and operation	Audit
Internal Stakeholders	Area of Interest	Engagement
Councillors, CEO, Directors	Governance/leadership	Report
Infrastructure	Internal landowners	Lease management, project work, property transactions and advice
Regulatory and Planning	Compliance	Liaise
Finance and Corporate	Financial assistance and direction	Liaise and assist
Staff	Enquiries and information	Liaise and assist

The Investment Property department has established friendly, professional relationships with other staff within the Invercargill City Council as well as all occupiers of Council property. These relationships enable the department to undertake duties with an understanding of Council's overall role and responsibilities. In addition, the department provides professional assistance to other Council departments who wish to undertake property transactions.

3.1.2 How We Engage Our Communities

Council consultation is undertaken in a number of ways such as the Annual Plan and Long-Term Plan submission process, the consultation caravan, Image Invercargill website, Council Facebook page, amongst other forums.

The Investment Property Activity specifically engages with the community via tenants and lessees through the management of leases and enquiries from members of the public regarding Council property and land parcels. This can include unformed/paper roads, rights of way, fencing requests (as a neighbouring property), vacant land etc.

3.1.3 Community Research

In 2014 the Council carried out a Community and Regulatory Services Residents Survey (Appendix 1.02) to provide information on ratepayers and residents' assessment of Council services. A 2016 Levels of Service Research project (Appendix 1.08) was undertaken to understand:

- What residents want from Council activities;
- How they perceive the value for money of those activities; and
- The level of service desired.

Although the 2016 project had a slightly different focus where possible the progressive results have been documented, from both the customer survey and research project, combined with expert knowledge of the service individual activity managers have to help establish a foundation of levels of service statements.

Customer requests for service are logged by customer service staff and attend to by the activity. This information is another platform which can be used to understand the community requirements.

The Investment Property Activity has a positive impact on rates; therefore specific consultation with ratepayers has not been undertaken. Engagement is undertaken as and when required with interested parties as to specific property transactions (process of lease renewals, rent reviews, freeholding requests).

3.1.4 Key Service Attributes Valued by Customers

- Lease management; clear communication regarding renewals, transfers, rent reviews and freeholding processes.
- Understanding of property industry, LINZ requirements, endowment process and relevant legislations.
- Proactive and responsive towards repairs, maintenance and all property issues.
- Professional and knowledgeable advice relating to property transactions.
- Strategic land purchases to enable the ongoing development of the City.
- Sound knowledge of insurance policies, wordings, renewal and claims process.
- Good customer service and timely response/follow up to general enquiries.
- Strategic Land including income generated from the Awarua Farm to offset the holding costs relating to this property.

These key services attributes are not measured by formal survey – can be measured through performance at meeting deadlines with regard to lease renewals, rent reviews, insurance renewals, relationship with external and internal customers, successful completion of property acquisitions/disposals and net income generated from department profit centres.

3.2 SERVICE DRIVERS

3.2.1 Community Expectations

The community expectations on Investment Property have not been specifically surveyed however there is an expectation that this Activity will:

- Comply with all relevant statutory codes and legislative requirements.
- Ensure that all leases are current with reviews/renewals completed in required timeframes.
- Ensure properties are maintained to safe and reasonable standard.
- Knowledgeable and responsive to all general property related enquiries.
- Income generated from the Investment Property Activities to offset the rates burden for ratepayers.

This Activity is considered to meet community expectations through contribution to Invercargill's population, economy and business areas, displaying strong leadership of the City with encouragement and development of future industry leading to a bustling centre with positive visitor feedback.

Rentals charged for Endowment and Trading properties are commercially driven in most cases (excluding some leases to Community Groups). This Activity also oversees other property such as land which has been purchased for strategic purposes and that which has been acquired through rating sales.

Per Legislation endowment funds have to be reinvested into property, as per the original "purpose" of the property. Council is able to report globally on the success of this Activity but privacy issues prevent Council disclosing information on individual properties. Funds generated through the management of this activity are used to offset the rating requirements of the City.

3.2.2 Legislative Requirements

The Investment Property Activity works within the law of the land with respect to property transactions and the processes prescribed by relevant legislation.

Legislation	Relevant Requirements	Impact on Service Levels
Local Government Act 2002	Restrictions on disposal of and conditions applying to disposal or exchange of endowment property.	Process ensuring that endowment property continues to adhere to its original purpose or obtain approval for additional or different purposes.
Property Law Act 1952	All property transactions executed within legislative requirements.	Process ensuring general rules affecting property are adhered to including purchases, leases and tenancies, easements and covenants on property.
Heritage New Zealand Pouhere Taonga Act 2004	Conservation of sites and features of buildings which are deemed to be of heritage significance.	Consultation as required in relation to demolition of pre 1900 buildings and preservation of historic sites.

Resource Management Act 1991	Compliance with regional and district plans taking into account the principles of the Treaty of Waitangi and Managing Contaminants in Soil to Protect Human Health, Regulations 2011 (National Environmental Standard).	Framework around facilitating specific projects, demolition, development, sub-divisions. Ensure land affected by contaminants in soil is appropriately identified and assessed when soil disturbance and/or land development activities take place.
Public Bodies Leases Act 1969	Powers of leasing authorities to grant perpetual leases including specific rules on covenants and conditions of lease, renewals etc.	Process for management of perpetual leases.
Health and Safety at Work Act 2015	Ensure the safety of the public and all workers (including contractors) when carrying out work on Council owned sites.	Protocols required to ensure that Council property sites and contractors meet health and safety standards by way of hazard identification, site inductions, personal protection equipment, training and site management plans etc.
Privacy Act 1992	Controls how agencies collect, use, disclose, store and give access to personal information (about identifiable, living people).	Applies to all leases and commercial activities to protect the privacy of natural persons.
Invercargill City Council (Reclamations) Empowering Act 1973	Authority to carry out reclamation, to develop and dispose of reclaimed land.	Primarily land relating to industrial leases and sub-division of vacant reclaimed land for disposal purposes.
Building Act 2004	Compliance with building consents and warrant of fitness regulations and standards.	Process to comply with building code standards. This restricts building use if not being met, causing impact on the activity.

3.2.3 Industry Standards and Guidelines

Registered Valuers are engaged to provide current market valuation and rental assessments relating to individual properties whenever necessary. Real Estate professionals are occasionally consulted for assistance with acquisitions, disposals and leasing matters.

Legal Advisors are engaged to ensure lease documents; sale and purchase agreements and contracts are drafted and completed correctly. Surveyors assist with boundary and sub-division title issues. Engineers, Quantity Surveyors, Project Managers and Construction Companies are engaged with regard property development.

Investment Property staff are members of the Local Authority Property Association (LAPA) and regularly attend annual conferences and regional workshops.

Organisation or Body	How We Work with the Organisation
Professionals in the fields of law, valuation, surveying, architecture, real estate and trades, engineering, environmental science and insurance as well as developers.	Firm but friendly professional relationships have been developed over time.

3.3 CURRENT LEVELS OF SERVICE

3.3.1 Current Customer Levels of Service, Performance Measures and Targets

How Investment Property Activity Contributes	Customer Level of Service	Measure of Service
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 (excluding land purchased for strategic purposes and land acquired through rating sales).	Net rate of return is at least equal to current market interest rate throughout the financial year.

3.3.2 Current Technical Levels of Service, Performance Measures and Targets

Technical Levels of Service	Performance Targets
All properties, excluding those prepared for sale, are leased.	95%
Lease agreements are current at market rental levels.	100%
Net rate of return.	Market interest rate (historic and current)

3.4 LEVELS OF SERVICE ISSUES AND CHALLENGES

A challenge for the Investment Property Activity is to meet the required measure of service (net rate of return is at least equal to current market interest rate throughout the financial year) given the make-up of the current property portfolio.

Not all leased land is able to derive a current market rental due to perpetual 21 year leases, a proportion of vacant land (being prepared for disposal) and buildings being held for strategic development but unable to be occupied therefore not deriving an income.

There are legislative restraints on the management of Council's properties. Two pieces of legislation restrict the Council's ability to deal freely in an open market environment with its land holdings. This legislation comprises of the Public Bodies Leases Act 1969 and the Local Government Act 2002 (Sections 140 and 141).

Other issues:

- Exploring and investigating future uses and viable opportunities for strategic property.
- Maintaining strategic land and buildings to an acceptable level whilst endeavouring to minimise holding costs.
- Overseeing known contaminated land sites - strategy for future investigations, costs and site management.

3.4.1 Current Levels of Service Gaps

- Increasing holding costs of vacant land (rates/mowing/maintenance).
- Internal skills and competency in an evolving environment.
- Investigating “other” Council land (unformed road, right of ways, paper roads, road reserves) to establish locality, current use, future potential closures and potential disposals.
- Performance evaluation of all individual investment properties – based on this evaluation prepare recommendations on individual asset retention, rationalisation and disposal or re-development.
- Investigating future uses of strategic land and buildings including future marketing opportunities.

3.4.2 Possible Responses to Gaps

- Greater use of professional consultancy.
- Creation of a disposal plan for vacant land or land where performance evaluation is below requirement (historic assessment of how and why Council acquired the land).
- Periodic review of strategic properties prepared for assessment to identify non-strategic and poor performing assets.

4. Demand for Our Services

4.1 DEMAND FORECAST

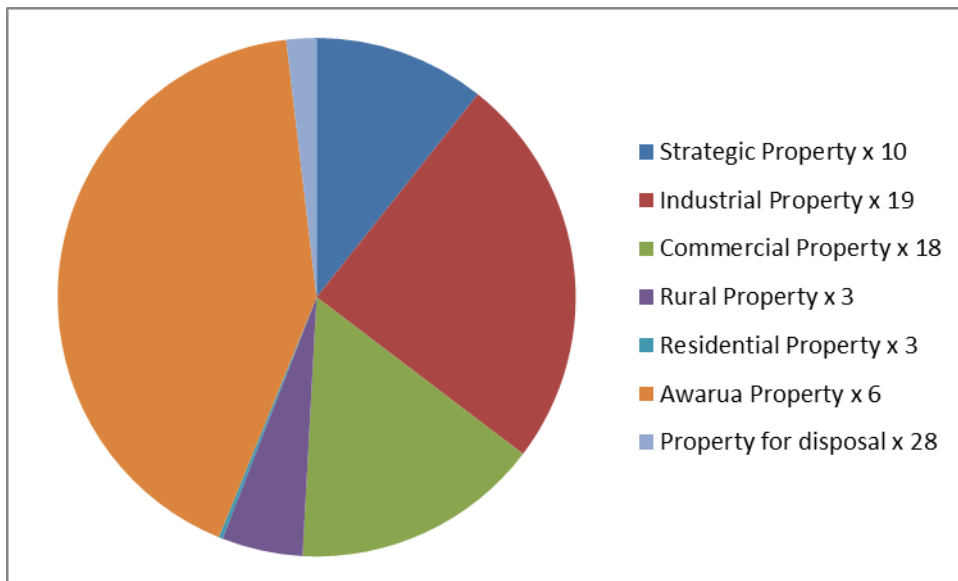
4.1.1 Factors Influencing Demand

Demand on this activity will be influenced by a changing portfolio through a number of issues but predominantly potential future freeholding of land lots to lessees creating increased endowment funds for reinvestment, the sale of land for development projects and divesting of non-income earning parcels of land.

Although demand for services will be impacted by decline or growth in the City, influencing demographics, population, economy it is not anticipated that these factors will have a significant impact on endowment property, but could have an effect on demand for strategic and vacant land. Potential development opportunities may exist however this would be difficult to quantify.

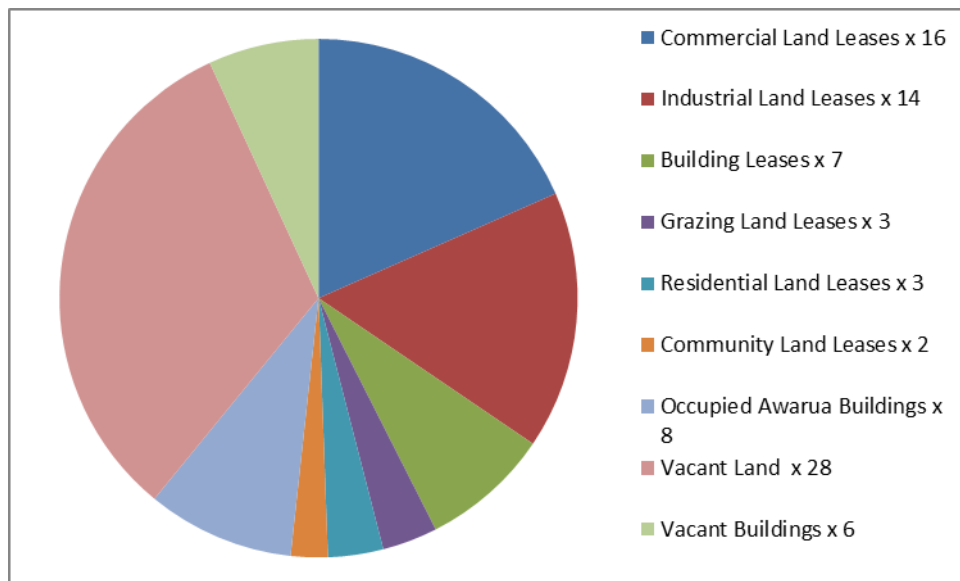
At 30 June 2017, the Investment Property portfolio is summarised as follows:

Current Investments per Property Group/Asset Class:



(To be reviewed at June 2018)

Current Investment Property Lease Breakdown:



(To be reviewed at June 2018)

4.1.2 Projected Growth or Decline in Demand for the Service

Investment property returns should remain stable. As leasehold land is divested, funds are utilised and reinvested back into land and investment opportunities. In the case of Endowment property this will be for the future benefit and improvement of the City of Invercargill.

The final completion of the multi tenanted commercial building at 20 Don Street will see increased demand on the activity in respect of facility management and responsibilities.

Future growth could be attributed to the Southland Regional Development Strategy (SoRDS) and Awarua Industrial Estate demand.

4.2 CHANGES IN SERVICE EXPECTATIONS

Future investments are likely to be a mix of properties with established buildings and new, modern buildings. The development and completion of the Don Street business house adds a modern, multi tenanted commercial investment to the current portfolio.

These properties provide sound returns but require increased staff time and resource for facility management (multiple tenant demands, programmed maintenance etc.)

Council purchased rural land at Awarua with the intention of developing it for industrial activity. This was based on the assumption that there would be an ongoing demand for large industrial properties within the district. This site is currently operating as a dairy farm and grazing block. There are also four residentially leased houses at this location returning current market rentals.

Council will continue to promote the Industrial Estate for sale and future development.

In an environment whereby improved transparency is expected, it is a balancing act to provide pertinent information whilst protecting the privacy of natural persons, or enabling Council to carry out commercial and industrial negotiations without prejudice or disadvantage.

4.3 EXPECTED IMPLICATIONS FOR THE ACTIVITY

The Investment Property Activity is undertaken with a commercial focus and is profit driven however also within the activity is provision of strategic property for future development as well as sites being utilised by non-profit organisations on a peppercorn rental for the benefit of the Community.

It is expected that over the life of this plan the number of properties with nil return will reduce. 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.

Resource available to manage diversified Investment property portfolio as well as historic issues, individual projects, commercial management and future development along with facilitating all insurance related functions for Council.

Balancing core property/lease requirements and insurance responsibilities within a changing environment of legislative, community, project and development demands also puts increased strain on current staff resources.

4.4 FUTURE DEMAND ISSUES AND CHALLENGES

4.4.1 Possible Demand-Related Responses

Effort continues to concentrate on the reshaping of Council's property portfolio from an inherited assortment of miscellaneous properties to a balanced mixture of properties which provide an economic return as well as meet the City's social needs, whilst being mindful of preserving the historic integrity of the City.

Continued freeholding of leased properties will see the Investment Property portfolio decrease, creating funding for future investment for the long term betterment of the City.

Sourcing equitable investments which meet market demand from the stock of current (and aging) buildings in Invercargill will provide a challenge and this may mean that future investments are focussed on development of modern, fit for purpose buildings, which meet all ergonomic, environmental, earthquake and technological expectations.

5. Asset Profile

5.1 ASSET OVERVIEW

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

The Investment Property portfolio consists of 87 separate parcels of land and 25 buildings. The total land area is 770.0678 hectares. In general terms the buildings are in fair to good condition with maintenance undertaken as required, with the exception of the new building at 20 Don Street which is a new build. The buildings situated at Esk Street West and 66 Dee Street are considered to be in very poor condition.

There are currently 21 sites 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, Invercargill Subject to potential disposal
- 10 Deveron Street, Invercargill Subject to potential disposal
- 20 Spey Street, Invercargill
- 13 Clyde Street, Invercargill Subject to potential disposal
- 17 Clyde Street, Invercargill Subject to potential disposal
- 21 Clyde Street, Invercargill Subject to potential disposal
- 26 Liddel Street, Invercargill Subject to potential disposal
- 4 Tay Street, Invercargill
- 6 Esk Street West, Invercargill
- 8 Esk Street West, Invercargill
- 10 Esk Street West, Invercargill
- 12-16 Esk Street West, Invercargill
- 18 Esk Street West, Invercargill
- 66 Dee Street, Invercargill
- 69 Don Street, Invercargill
- 20 Don Street, Invercargill

There are currently 50 leases in place, half of which contain 21 year terms with no rent reviews and rights of renewal in perpetuity. Upon expiry these lessees are encouraged to renew with rent reviews assessed every five to seven years with the incentive of a discounted rental for the first five or seven year period. Other arrangements include those with community groups involving a peppercorn rental and monthly permits for use.

The majority of land holdings are located within sought after commercial and industrial areas of the town and are leased to tenants who own the buildings. In January 2008 Council amended its Long-Term Plan to include a list of Endowment properties. This was to enable Council to freehold or sell the properties and reinvest the proceeds without further consultation.

5.2 ASSET DESCRIPTION

Property Group/Asset Class	Number of Properties
Strategic Development Properties including Kew Bowl, Don Street, Grace and Ness Street	10
Industrial properties including 141 Bond Street, 20 Spey Street and 69 Don Street	19
Commercial properties including 2 Deveron Street, 10 Deveron Street, 71 Barrow and 72 Barrow Streets	18
Rural properties	3
Residential properties	3
Awarua industrial properties	6
Properties being prepared for disposal	28
	87

The above figures at 30 June 2017 do not include the multi-tenanted commercial building at 20 Don Street which partially opened in October 2017. This had a build value of \$10,788,000 plus professional fees of \$900,000 and site improvements \$2,000,000. This will be revalued at 30 June 2018.

Date of the last revaluation: 30 June 2017
Registered Valuation firm: Telfer Young
Next revaluation date: 30 June 2018

Refer Appendix 8.01 for an overview of all properties managed and controlled by the Investment Property Activity

5.3 CRITICAL ASSETS

Operational assets (milking shed, effluent tank, lanes, fencing) are at the Awarua Farm are actively managed and maintained by the Sharemilkers in partnership with Council affecting farming income.

Investment property does not have any critical assets that would have an adverse effect on the city.

5.4 ASSET CONDITION

5.4.1 Summary of Current Asset Condition

The following table relates to Council owned buildings which are managed by the Investment Property Activity.

Asset	Circa Year Built	Description	Condition	Replacement or Indemnity Value
1276 Bluff Highway	1920 - 1940	4 tenants – residential	1 3	1,513,000
141 Bond Street	1976	1 tenant – industrial	3	5,050,000
136-150 Colyer Road	1965 - 2002	2 tenants – agricultural	2	690,000
167 Colyer Road	1980	1 tenant – agricultural	2	490,000
5 Hamilton Road	1920	1 tenant – agricultural	3	290,000
2 Deveron Street	1956	1 tenant – recreational/community	3	3,550,000
10 Deveron Street	1971	1 tenant – commercial/community	2	2,830,000
20 Spey Street	1946 - 1964	2 tenants – commercial	2	1,060,000
13 Clyde Street	1961	1 tenant – commercial	2	750,000
17 Clyde Street		1 tenant – commercial	3	
26 Liddel Street	1940	1 tenant - commercial	3	
4 Tay Street	1971	Multiple tenants – parking permits	2	310,000
6 Esk Street West		Vacant	4	1,220,000
8 Esk Street West		Vacant	5	
10 Esk Street West	1956	Vacant	5	
12-16 Esk Street West	1880	Vacant	4	
18 Esk Street West	1952	Vacant	4	
66 Dee Street		Vacant	5	120,000
69 Don Street		1 x tenant – commercial	1	550,000
20 Don Street	2017	Commercial (open October 2017)	1	

Condition Grade	Definition	Proportion of Consumed Life	Description
1	Very Good	Between new – 45% Not Critical	Sound structure with no evidence of deterioration
2	Good	Between 45% - 60% Low Criticality	Functional, sound and showing minor deterioration of surfaces
3	Moderate	Between 60% - 75% Moderate Criticality	Affected appearance and operation. Deteriorating or damaged surfaces
4	Poor	Between 75% - 90% High Criticality	Fabric damage and operational performance affected breakdowns or ongoing maintenance required
5	Very Poor	Between 90% - 100% Very High Criticality	Badly damaged, operation unreliable, immediate or imminent replacement required

5.4.2 Condition Monitoring

Condition of the above assets is assessed through regular property inspections, feedback from tenants and advice from suitably qualified contractors (electricians, plumbers, builders, engineers etc.)

5.5 ASSET CAPACITY AND PERFORMANCE

5.5.1 Capacity and Utilisation

The buildings at Lower Esk Street and 66 Dee Street, which are held for strategic purposes are not utilised, therefore not deriving an income. These buildings are not used as they fail to meet building regulations.

All other buildings are utilised by either the farm operation (including residential houses) or occupied under commercial and/or industrial leases.

5.5.2 Performance

The buildings at Lower Esk Street and 66 Dee Street are not performing due to not meeting building regulations for safe occupation or use.

5.6 SUMMARY OF ASSET TRENDS, ISSUES AND CHALLENGES

The trend for Investment buildings is moving towards modern, concrete slab, earthquake proof buildings which are environmentally sound, however there remains demand for well maintained, safe and affordable older style buildings.

There is a challenge to meet expectations and demand of a variety of tenants, whilst maintaining affordability and acceptable standards with building stock meeting earthquake and building codes.

A number of vacant strategic development buildings are not currently meeting building regulations.

To consider the heritage of the City – balancing preservation of historically significant buildings with the development of modern, fit for purpose builds.

Constant review of Investment Property risk management framework, creating a business case template for all significant investments.

6. Sustainability, Risk and Resilience

6.1 SUSTAINABILITY

The Local Government Act requires Council to take into account the social, economic and cultural interests of people and communities, the need to maintain and enhance the quality of the environment and the reasonably foreseeable needs of future generations by taking a sustainable development approach. Sustainability can be defined as:

Development which meets the needs of the present generation without compromising the future generation from meeting their own needs
(Brundtland Report, 1987).

Investment Property assets have ability to influence sustainability outcomes during planning, development and design phase. Future development type, location and design can significantly impact sustainability outcomes, for example accessibility, urban form, land-use, heritage, health and wellbeing. Good planning and design can lead to improved economic and social benefits.

Investment land leases have ongoing impact, particularly by lessees running industrial and commercial operations that have an effect on energy use and emissions, runoff, noise, ecological impacts, safety etc. These businesses provide ongoing employment and economic benefit as well as having impact on material use, energy, water and waste. The farming operation at Awarua is managed and run in line with consent conditions from Environment Southland.

6.1.1 Social and Cultural

Investment Property assets are occupied by a portion of community groups, providing an emphasis on equality, social cohesion and inclusiveness, free from any prejudice, promoting intergenerational equality, meeting the needs of the present generation without compromising the needs of future generations.

6.1.2 Environmental

Investment Property strives to be a responsible land owner by being aware of all issues relating to its sites and taking all steps to appropriately manage environmental impacts such as land contamination, sustainability, heritage, health and safety etc. The farming operation at Awarua is managed and run in line with consent conditions from Environment Southland.

6.1.3 Economic and Financial

Investment Property provides economic and financial benefit to the wider community by providing land and building locations for Invercargill businesses to conduct their ventures. This provides opportunities for employment and other social betterment for the citizens of Invercargill and extended district.

The purpose of Investment Property is to provide the desired level of service in the most cost effective manner through optimal management of the portfolio for present and future benefit of the ratepayers and community. This is monitored by reporting on financial performance.

6.1.4 Summary of Sustainability Challenges and Issues

It is an on-going challenge to balance social, cultural and environmental expectations against economic and financial requirements. These can be impacted by cost of meeting compliance requirements and global milk prices, affecting the farming operation.

6.2 RISK

The Council recognises that it is obliged to manage effectively and to review regularly its risks at a strategic, operational and project level. The Council has done this by developing a Risk Management Framework and a range of risk management processes that apply across the organisation. Risk assessment is a major consideration in planning and budgeting processes at all levels within the Council. Risks must be considered and documented as part of the justification for undertaking our activities. Risk assessment and monitoring must form part of the management of operational activities. The Chief Executive and the Council encourage the taking of controlled risks to better improve the effectiveness and efficiency of the services and functions that the Council provides on behalf of the community, provided the resultant exposures are acceptable.

6.2.1 Risk Framework/Standard

Council has previously adopted a risk management process that is consistent with Australian/New Zealand Standard AS/NZ 4360 which defines risk assessment and management. The key risk criteria adopted for assessing the consequences of identified risks are:

- Community Health and Safety.
- Loss of Service – Extent/Duration.
- Service Delivery – Customer Impact.
- Invercargill City Council Financial Impact.
- Financial Community.
- Corporate Image and Reputation.
- Legal Compliance.

The Corporate Framework for assessing Risk is included in Appendix 1.09.

It should be noted that Council is undertaking an organisation wide review of risk management practices in the 2018/19 financial year and this may impact on how risk is assessed and managed. Results from this review will be included in Management Plans where necessary and risk assessments will be updated as required.

6.2.2 Critical Assets Decision-Making

The Investment Property portfolio does not comprise of critical assets that will have an impact on the overall infrastructure or running of the City and community as a whole.

The Activity typically administers proactive management to minimise any negative impact on a case by case basis. Essential farm infrastructure (such as the milking shed and effluent tank), are subject to an annual inspection by suitably qualified consultants and incur regular maintenance to prevent failure.

There are currently no formal Asset Management Plans in place for buildings held under the Investment Property portfolio.

6.2.3 Risk Identification and Assessment

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
Global Dairy Price Drops	World community price for milk products	1	1	5	4	2	1	2.35	D	M	Maintain knowledge of the future market and purchase fixed price contracts for a portion of sales where appropriate	Maintain awareness and continue with current practice
Rental Returns (market rates)	Drop in demand and returns achievable from commercially leased properties	1	2	5	3	2	2	2.55	E	M	Maintain knowledge of the leasing and rental market. Use industry experts and valuers to keep up to date with market conditions.	Maintain awareness and continue with current practice
Un-usable Land for Lease	Presence of ground contaminants within Council owned investment land	5	4	4	2	4	4	3.9	E	H	Engage consultants to sample and test land for contaminants as required	Continue to use consultants to test land as the need arises

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
Vacant Tenancies	Current tenants exiting their leases and no replacement tenants being available for a period of time	1	1	3	1	2	1	1.5	C	L	Development of good relationships with current tenants to meet their needs within the tenancy arrangement	Continue with current practice and maintain lease buildings to a standard attractive for tenanting
Building Failure	Fire	5	5	3	1	3	1	3	F	H	Ensure all investment buildings have current Building Warrant of Fitness certificates.	Continue with current practice wherever possible. Where buildings fail to meet required standards investigate repair or demolition options
	Earthquake or other natural disaster	5	4	3	1	2	1	2.75	F	H	Where buildings fall below required standards ensure buildings are secured and make as safe as possible for the public	

Risk identification and assessment on Investment Property sites are carried out as per requirements of the Health and Safety at Work Act 2015 and per the Resource Management Act 1991, with regard to Managing Contaminants in Soil to Protect Human Health Regulations 2011. These assessments are carried out by both Council personnel and suitably qualified consultants, as required.

As part of the process of managing all Insurance related functions for Council, regular inspections are carried out by Insurance Risk Assessors in relation to status of pre-1935 buildings, earthquake, electrical and fire assessment. This relates to all relevant buildings owned by Council, not just Investment Property.

Management of this Activity is undertaken from the Civic Administration Building in Esk Street, Invercargill. This building has an operational security system and all records are held on Council's computer system. Data is backed regularly and stored in a fireproof container. Original agreements/legal documents are held at the City Solicitors (Preston Russell Law). While damage to all of some of these systems would be inconvenient, it would not directly impact on the income stream from this Activity.

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. In the event of a disaster 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.

6.3 RESILIENCE

The working definition of resilience to Invercargill City Council is the ability of the organisation to survive a crisis and thrive in a world of uncertainty. Resilience includes both planned risk management (Section 6.2) and adaptive capacity. In this context resilience refers to our capacity to adapt, rather than preparedness or recovery, which is the capacity of people, the community and systems to adapt in the face of unpredictable change the 'unknown unknowns'.

100 Resilient Cities* have four dimensions and three drivers within each:

- **Health and Well-being**
 - Meet basic needs,
 - Support livelihoods and employment,
 - Ensure public health services
- **Economy and Society**
 - Foster economic prosperity
 - Ensures social stability, security and justice
 - Promote cohesive and engaged communities
- **Infrastructure and Environment**
 - Provide reliable communication and mobility
 - Ensure continuity of critical services
 - Provide and enhance natural and man-made assets
- **Leadership and Strategy**
 - Promote leadership and effective management,
 - Empower a broad range of stakeholders,
 - Foster long-term and integrated planning

6.3.1 Business Continuity and Emergency Response Arrangements

Emergency Management Southland (EMS) is a shared service between Invercargill City Council, Southland District Council, Environment Southland and Gore District Council. It focuses on ensuring communities are prepared for emergencies and that they are able to respond to and recover from these when they do happen. Specific actions include public education and ensuring a pool of trained personnel. Having this combined organisation results in streamlined decision making, faster response times and cost savings.

As Investment Property does not comprise of critical assets that will have an impact on the overall infrastructure or running of the City and community as a whole there are no formal business continuity plans in place. All building and farm assets are fully insured and response would be on a reactive basis.

6.3.2 Current and Desired Resilience Assessment

Resilience is a topic that we are learning about from events such as the Christchurch, Kaikoura and Wellington earthquakes. Invercargill City Council is seeking to make our organisation and infrastructure more resilient. Resilience will be part of the review of risk management being undertaken in the 2018-19 financial year.

7. Managing Our Activities

7.1 RESPONDING TO THE ISSUES AND CHALLENGES

Topic	Issue or Challenge	Potential Responses
Levels of Service	Engagement with all stakeholders and customers	<ul style="list-style-type: none"> ➤ Maintaining good working relationships ➤ Meeting regularly to have open discussions about the expectations around service delivery
	Meeting (or exceeding) Levels of Service with an evolving portfolio and other responsibilities in a demanding environment	<ul style="list-style-type: none"> ➤ Clear communication on the impact of increased Levels of Service ➤ Management of expectations ➤ Increased engagement of Professional consultancy
Demand	Performance evaluation of all individual properties to provide recommendations on individual asset retention, rationalisation, disposal or re-development	<ul style="list-style-type: none"> ➤ Periodic review of properties for assessment to identify non-strategic and poor performing properties
	A portion of existing buildings are well through their useful life and require either capital renewals or re-development, creating an increased demand on the Investment Property Team	<ul style="list-style-type: none"> ➤ Manage timing of all projects ➤ Increase staff level to match demand ➤ Outsource project investigation and management
Asset Profile	Future potential development projects	<ul style="list-style-type: none"> ➤ Assume business as usual until the strategic direction from Council is confirmed ➤ Use a better business case approach to any project that may develop from the strategic direction
Sustainability	Balancing social, cultural and environmental expectations against economic and financial requirements.	<ul style="list-style-type: none"> ➤ Managing property as a responsible landowner to ensure an acceptable and sustainable balance is met
Resilience	No documented contingency plans	<ul style="list-style-type: none"> ➤ Work with service activity managers to develop contingency plans for their service
	Rate of change of technology	<ul style="list-style-type: none"> ➤ Start reserve funds to renew technology as it becomes mainstream or Loan fund to keep up with changes ➤ Keep educated on what is on the horizon and being developed in the industry
	The 'unknown unknowns'	<ul style="list-style-type: none"> ➤ Research many possible scenarios, reduce the number of 'unknown unknowns'

7.1.1 Alternative Investment Approaches

Current property investments are funded primarily from endowment property and other reserves. These funds are generated through the freeholding and disposal of endowment sites which have been vested (gifted) to the City for the either municipal purposes or for the future benefit of the City.

Other investment in property is funded through loan funds and rental returns, which go back towards paying the debt. Residual profit is used to off-set rates.

Alternative investment approaches could include:

- Public/private partnerships for future development which ensures that the funding and expertise of each sector (public and private) are shared in delivering a quality investment for the benefit of the City.
- Investment in Proportionate Ownership Schemes as an effective and affordable way to participate in the commercial property market, enjoy the benefits and returns from high performing real estate assets without having to deal with day to day property management issues.

7.1.2 Do-Minimum Programmes

In the present climate and with current commitments a “do nothing” approach will give the opportunity to consolidate and rebuild endowment reserves whilst carrying out strategic assessment and re-shaping of the current portfolio. Properties not currently deriving an income but incurring holding costs will remain at status quo in the interim.

7.1.3 Programmes Evaluation

Invercargill City Council is developing a greater understanding of the business case approach developed by Treasury. This approach is used to make better informed investment decisions, better value for money and better outcomes for the community. More training for staff will be sought in this principle.

7.2 OPERATIONS AND MAINTENANCE

7.2.1 Operation/Maintenance Strategy

With residential tenancies there is an annual programme in place for heat pump servicing and chimney cleaning, as well as reminders to tenants for gutter clearing and changing of smoke alarm batteries. Programmes are in place for section mowing and maintenance, as well as annual hedge trimming etc.

Our strategy is otherwise to continue on a mainly reactive maintenance basis in most cases and appointing approved contractors to have any repairs and maintenance undertaken, as and when required. Buildings are regularly inspected for either building warrant of fitness purposes or on a quarterly basis. Lessees/Tenants are in contact as and when issues arise, which require attention. Funds are allocated annually for anticipated maintenance requirements.

Lease renewals and rent reviews are actioned per the process set out in each individual Deed of Lease, which requires a current market rental to be advised to the lessee within a specific period, allowing time for further negotiation/mediation prior to due date.

The annual insurance renewal commences approximately three months prior to due date to ensure that all relevant information is received and reviewed before forwarding to the Insurers. All acquisitions and disposals (buildings, vehicles, plant) are advised to insurers as they occur.

Operational and maintenance requirements for the dairy farm are reviewed at a quarterly Farm Committee meeting, attended by the Investment Property staff, the Sharemilkers and two dairy industry consultants. Any urgent matters are dealt with my communication as and when required to all parties.

7.2.2 Operation/Maintenance Standards and Specifications

Standards and regulations are those applicable to industry standards per qualified person (builders, plumbers, electricians, farm consultants) and are per current regulations:

- Building Regulations
- Hazardous Substances Regulations 2001
- Electricity Regulations 203
- Health and Safety at Work Act 2015

7.2.3 Operation/Maintenance Options and Alternatives

There are currently three property departments in Council – Investment Property, Building Assets and Parks Assets. There could be the opportunity to pool resources, knowledge and expertise into one property division of Council. It is an assumption that the current structure will remain.

For building maintenance management most breakdown and scheduled maintenance work is carried out by small local contractors at their normal charge rates. There is insufficient volume of work to necessitate use of maintenance contracts. This provides flexibility to use a range of contractors and is also expected to help maintain a number of contractors in the small pool of contractors available in Invercargill.

An alternative could be for all building related/facilities management to be out-sourced and for Council insurance management activities to be repositioned within Council.

7.3 ASSET RENEWAL/REPLACEMENT

Management of Capital and Special Projects is presently carried out in a variety of ways, which are chosen to suit the budget and circumstances of each project:

- Invercargill City Council Staff (Investment Property Administrator or Advisor), acting as Project Manager.
- Project Management consultants employed for specific projects.
- Architects and Quantity Surveyors employed to design and manage specific projects.

Assets within Investment Property are not generally subject to a renewal strategy however it would be beneficial to investigate further in development of an Asset Management Plan.

7.4 CAPITAL DEVELOPMENT PLAN

7.4.1 Asset Development Strategy

The strategy for development or growth is assessed and prioritised by Council on a case by case basis.

7.4.2 Capital Development Selection Criteria

Capital Development is currently selected on a case by case basis, with internal assessment.

7.4.3 Capital Development Options and Alternatives

Establish set criteria when considering capital development.

Detailed business case/feasibility study to be carried out prior to any capital development taking place, utilising the services of suitably qualified consultants.

7.5 DISPOSAL PLAN

There is no formal disposal plan in place for Investment Property. The portfolio currently consists of 50 land leases and lessees are able to request “freeholding” of the land that they occupy. This is dealt with on an as and required basis with any decision resolved by full Council.

Prior to any property transaction, a comprehensive historical search is required to ascertain how Council acquired the land and for what reason. This involves researching the intent of each specific purpose and adhering to conditions of the corresponding legislation.

7.5.1 Forecast Future Disposal of Assets

There are currently 28 vacant land lots which have been acquired either through rating sales or the taking of abandoned land which could be prepared for disposal. These sites are not seen as highly desirable or high yielding.

7.5.2 Forecast of Income/Expenditure from Asset Disposal

Proceeds from the disposition of property investments are used for the retirement of debt relating to such property, or allocated to the general rates, endowment funds or other special reserves.

The Local Government Act 2002 strictly controls the disposal of endowment property and details conditions applying to sale or exchange of endowment property and application of disposal proceeds. The Minister may approve additional or different purposes for which the property may be used, or for which income derived from the property may be used.

Proceeds from the sale of 28 vacant land lots would be allocated to rates or special reserved (if deemed appropriate). The combined total current land value is \$604,900 (as per the Investment Portfolio Audit Report, dated 30 June 2017). Although it is not anticipated that these sections would achieve this combined value in the current real estate market, Council will benefit through savings on holding costs (rates/maintenance).

7.6 RECOMMENDED PROGRAMME

Over the course of the Long-Term Plan it is not anticipated that significant Capital Expenditure will be required on this Asset. In the event of any major requirements, loan funding will be used.

It will be a priority to formulate an Asset Management Plan to evaluate capital renewal and programmed maintenance of Investment Property buildings, in particular at 20 Don Street.

7.7 HOW THE ACTIVITY WILL BE RESOURCED

7.7.1 Internal Resourcing

The Investment Property department currently employs two full time staff – Investment Property Advisor and Investment Property Administrator. This activity also includes management of day-to-day insurance activities, claim and annual revaluation and premiums assessments as well overseeing management of the Awarua Dairy Farm. The department also carries out project work relating to property transactions within the wider Council portfolio.

Sustained development and project work will create a situation whereby the current staffing levels will not be sufficient to meet core responsibilities and the day to day operation of the Investment Property Activity.

7.7.2 Procurement Strategy

The Investment Property department does not have a formal procurement procedure however follows the general rule of obtaining quotes specific to each requirement (where possible) and assessing contractors based on value for money, continuity of service, emergency response and ability to meet Council's Health and Safety requirements (as an approved Contractor).

Typical Investment Property procurement of goods and services include:

- Purchase of chattels/white ware for residential houses.
- Residential house re-fit (carpeting, painting, installation of spouting/gutters/windows).
- Repair and maintenance of chattels (bathrooms, kitchen, laundry, office).
- Programmed maintenance (gutter clearing, chimney sweeping, heat pump servicing, re-painting).
- Driveway, pothole and slumping repairs and additions.
- Fence construction and/or repair.
- Roof Leaks/water leaks.
- Insulation and mould issues/vermin control.
- Service of sewerage field/septic tank/effluent tank.
- Mowing and section/tree/hedge maintenance.
- Electrical and power issues.
- BWOFF/IQP requirements

With the acquisition/disposal of property, services are requested by appropriate professionals such as the City Solicitor, Registered Valuer, Geotechnical Scientist, Surveyor, and Land Information Services on an as and when required basis. These consultants are chosen for their appropriate skills, knowledge and experience.

Moving forward (from late 2017) with the completion of the Don Street Business House, there will be a requirement to procure provision of services such as cleaning, hygienic disposal of wastes from toilets, IPQ services, electricity supply, programmed maintenance etc. and it is anticipated that an open tender process will be used, wherever possible.

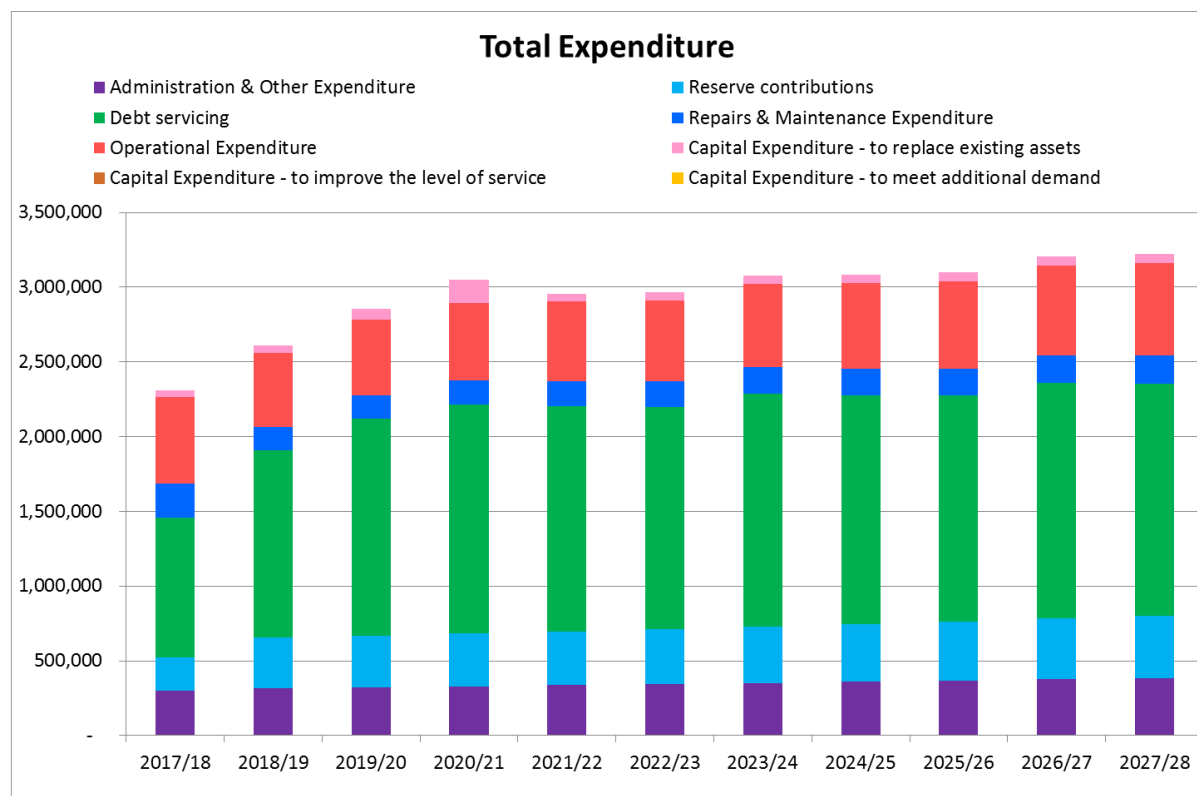
8. Financial Management

8.1. OVERVIEW

8.2 FINANCIAL SUMMARY - WHAT THE ACTIVITY COSTS

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Annual Plan	LTP	LTP	LTP	LTP	LTP	LTP	LTP	LTP	LTP	LTP
Internal Revenue	25,000	65,000	65,880	66,779	67,699	68,681	69,685	70,758	71,902	73,121	74,420
Fees & Charges Revenue	1,741,049	2,320,296	2,370,321	2,420,379	2,466,155	2,522,876	2,580,902	2,642,844	2,708,915	2,779,347	2,854,389
Grants & Subsidies Revenue	0	0	0	0	0	0	0	0	0	0	0
Rates Revenue	0	0	0	0	0	0	0	0	0	0	0
Financial Revenue	177,254	121,700	124,373	127,105	129,897	132,880	135,931	139,189	142,664	146,368	150,314
Total Revenue	1,943,303	2,506,996	2,560,574	2,614,263	2,663,750	2,724,437	2,786,519	2,852,791	2,923,480	2,998,836	3,079,124
Internal Expenditure	0	40,000	40,880	41,779	42,699	43,681	44,685	45,758	46,902	48,121	49,420
Staff Expenditure	135,735	139,781	142,587	145,449	148,369	151,353	154,396	157,507	160,687	163,936	167,258
Administration Expenditure	139,571	115,506	118,047	120,644	123,298	126,134	129,035	132,132	135,435	138,957	142,709
Financial Expenditure	938,265	1,002,244	1,039,136	1,120,504	1,097,954	1,075,404	1,150,402	1,122,168	1,099,368	1,164,332	1,139,499
Grants & Subsidies Expenditure	0	0	0	0	0	0	0	0	0	0	0
Repairs & Maintenance Expenditure	224,181	155,642	159,066	162,566	166,142	169,963	173,872	178,045	182,497	187,241	192,297
Operational Expenditure	577,629	497,292	508,232	519,414	530,841	543,050	555,540	568,873	583,095	598,255	614,408
Depreciation Expenditure	23,951	21,353	21,823	22,303	22,794	23,318	23,854	24,427	25,037	25,688	26,382
Total Expenditure	2,039,332	1,971,818	2,029,771	2,132,659	2,132,096	2,132,902	2,231,786	2,228,910	2,233,020	2,326,531	2,331,973
Operating Surplus / (Deficit)	(96,029)	535,178	530,802	481,604	531,654	591,534	554,733	623,881	690,460	672,304	747,151
Capital Expenditure - to meet additional demand	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditure - to improve the level of service	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditure - to replace existing assets	50,000	50,000	70,518	156,673	53,373	54,601	55,857	57,197	58,627	60,151	61,775
Capital Expenditure	50,000	50,000	70,518	156,673	53,373	54,601	55,857	57,197	58,627	60,151	61,775
Proceeds from Asset Disposal	0	0	0	0	0	0	0	0	0	0	0
Debt movements	0	250,000	410,000	410,000	410,000	410,000	410,000	410,000	410,000	410,000	410,000
Reserve movements	(474,060)	(190,892)	(205,199)	(341,177)	(222,225)	(207,330)	(235,824)	(217,945)	(202,050)	(225,193)	(207,550)
Cash Back Depreciation	(891)	0	0	0	0	0	0	0	0	0	0
Rates Required	(328,922)	(426,070)	(255,483)	(256,109)	(290,506)	(334,263)	(324,701)	(374,628)	(423,883)	(427,346)	(482,925)

8.2.1 Council Funded Programmes



8.3 FINANCIAL POLICIES

The Local Government Act 2002 requires Council to manage its finances prudently and in a manner which promotes the current and future needs of the community. Council must ensure that each year projected operating revenues are set at a level sufficient to meet the years projected operating expenses.

The Revenue and Financing Policy states Council's policy on the funding of its operating and capital expenditure and the sources of those funds.

Council for each activity must give consideration to who benefits from the activity and the appropriate level of private versus public benefit when funding the activity. Public benefit is gained from having access to activities provided by Council. Private benefit is gained from receiving goods or services provided by Council, ie Building consent for work carried out by private residents.

8.4 HOW WE PAY FOR THE ACTIVITY

The following Sources of funding are used by Council:

- General Rate
- Targeted Rate
- Fees and Charges
- Other Sources of funding
- Loans and Reserves

Investment property is funded from fees and charges; these are mainly via lease/rental income, dairy income and commissions from property transactions.

Who Benefits	Funding Sources and Proportions	Demand Generators
Public: Net income used to offset rates	Fees/Charges: 100%	Change in property values

8.5 ASSET VALUATION

Annual figures from the valuation of investment property are suitable for including in annual financial statements and have been carried out in accordance with the appropriate Australia and New Zealand Valuation Property Standards; and the New Zealand accounting standard on Investment Property (PBE IPSAS 16) issued by the External Reporting Board.

The annual valuation is carried out in accordance with the NZIV/PINZ and International Valuation Standards by a Registered Public Valuer. These reports are prepared annually for review by Audit New Zealand.

8.6 RELIABILITY OF FINANCIAL FORECASTS

8.6.1 Revenue Forecasts

- Global dairy fluctuations affect milk prices, a 10% price movement can have a \$75,000 positive or negative effect.
- Biggest influence on sensitivity is occupancy/variability in tenancies.
- Other revenue (leasing) is not sensitive to movements in market price due to long term contracts and lease terms.

8.6.2 Operational Forecasts

- Investment Property expenses are generally stable in relation to market prices therefore budget forecasts are not sensitive to change however are still exposed to general inflationary type movements.
- The exception being interest rates, whilst forecast to remain stable over the life of the plan, these are driven by outside forces outside of Council's control.
- Operational budgets are created based on actual expenditure from previous years plus CPI adjustments, taking into consideration acquisitions or disposals that will have an impact on costs such as rates, insurance, maintenance etc.

8.7 SUMMARY OF PROGRAMME ASSUMPTIONS

This plan is based on the following assumptions:

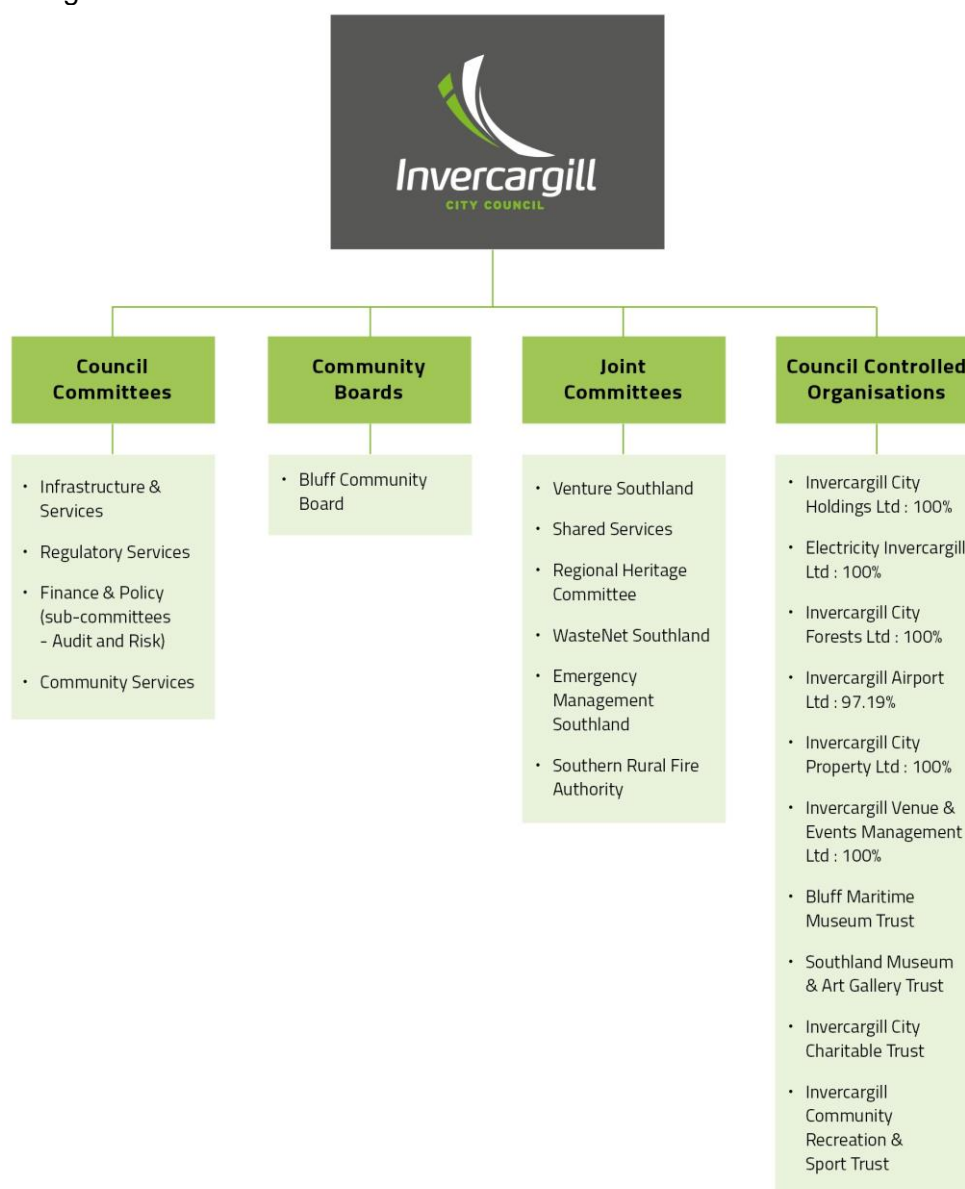
- Requirement for performance evaluation of all current properties for recommendations on asset retention, rationalisation and disposal or re-development. Potential to divest of sites with a nil return.
- Predicted future freeholding requests from Lessees will see Endowment proceeds increase for further investment in property.
- Requirement for greater use of professional consultancy to provide specialist services in relation to the Investment Property assets

9. Delivering and Monitoring the Programme

9.1 PROGRAMME GOVERNANCE AND REPORTING

Council operates on a six-weekly cycle with four Committees meeting before a full Council meeting. These Committees accept and receive reports from their relevant Directorate and Management Staff are at these meetings to answer any questions that arise. This reporting process ensures accountability to Councillors and allows for transparency to the public. Further to the four Directorate Committees, there are smaller sub-committees such as Audit that meets to discuss issues relating to the Annual Report, Annual Plan, Long-Term Plan processes and any other audit related issues.

The Bluff Community Board is established as a Committee who reports to Council on behalf of the Bluff area and deals with any issues relating to their area. Council provides direction to this Committee and has a representative sitting on this board.



Councillors are elected on a triennial basis through local government elections with the community voting for 12 Councillors and a Mayor. The Chief Executive role is reviewed every five years. In addition to this, Council undertakes a Representation Review every six years to ensure that the Community is aware and accepting of the current Council structure.

Council develops their Long-Term Plan every three years in line with their obligations under the Local Government Act 2002, every year following this Council will adopt an Annual Plan which will make any amendments to the existing Long-Term Plan and allows for members of the community to submit on this process.

Further, Council will provide an Annual Report, which is a full year financial snapshot of Council's activities for that financial year. This is also compared to the financial projections in Council's Long-Term Plan.

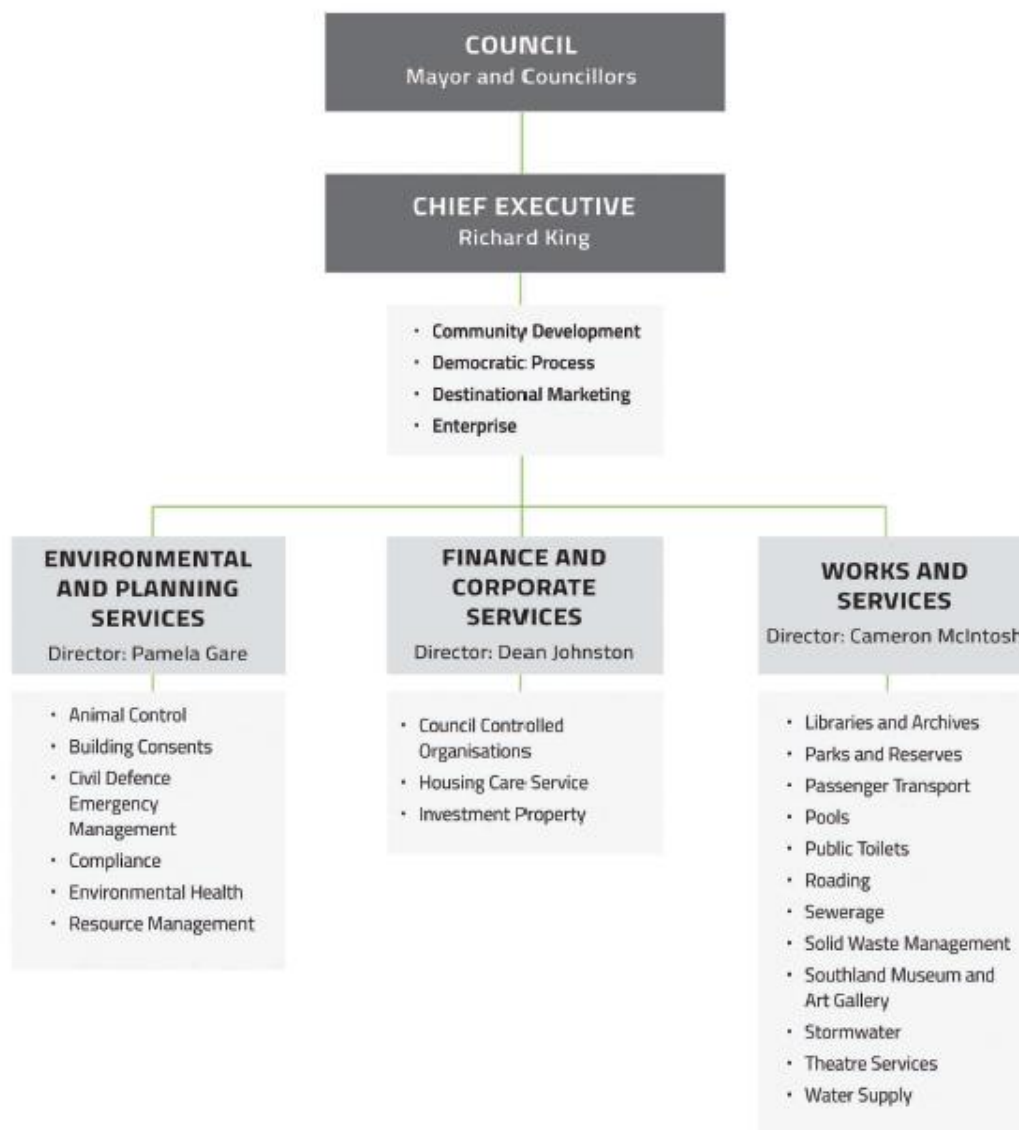
9.2 STAKEHOLDER ENGAGEMENT AND COMMUNICATIONS

Council currently utilises a myriad of methods to engage in consultation with members of the community. The Local Government Act 2002 states specific methods of consultation to be utilised by Council for certain processes, Council adds to this through innovative and community-tailored engagement techniques. The following are examples of current Council consultation methods:

- Imagine Invercargill is a new engagement website where members of the public can submit ideas on how to improve Council services.
- Consult South is a website that highlights any current or up and coming consultation items.
- Regular use of the Consultation Caravan where members of the public can pop in to ask questions of elected members and staff.
- Public Forums at Council and Committee meetings.
- Public requests to be heard as a specific Agenda item.
- Regular features in the newspapers and rates newsletters which inform ratepayers of issues.
- The City Focus Radio show that highlights current topics that the Council is addressing.
- The Mayor holds appointments with residents who wish to raise issues of concern.
- Community Engagement processes when Council is considering making a significant decision.
- Formal consultation through the Special Consultative Procedure for issues such as the Long-Term Plan and some Bylaws.
- Facebook page where individuals can ask questions and express opinion to Councillors and staff.

9.3 BUSINESS PROCESSES

The management structure of the Invercargill City Council is as follows:



Council staff operates under a Delegations Register (Appendix 1.10) that is adopted by Council; this Register lists every department with specific delegations that are required under legislation or Council policies so that staff members are able to carry out their specific job requirements.

9.4 INFORMATION SYSTEMS AND DATA

Geographical Information Systems (GIS)

Provides mapping and spatial analysis tools for Council to graphically determine and understand where Council facilities or assets are located. This includes geocoding our data, putting it on a map, and symbolising it in ways that can help visualise and understand the data. The software display how places are related which help make more informed decisions about the best locations and paths for infrastructure and planning. Utilising these attributes we can use the software to help make predictions and better understand our environment.

Infor Pathway

Delivers a comprehensive offering of fully integrated functionality for managing council related business processes including:

- Customer Service and People Management - central name/address register and customer request management;
- Land and Property Management - administration tools to assist with land and property management;
- Revenue Management - capabilities such as rates accounting, property valuations, debtors and water billing;
- Regulatory Management - a comprehensive range of workflow-driven modules to ensure that local and national regulatory legislation for consents processing, parking and animals, and health and liquor licensing are complied with;
- Internet-enabled customer self-service - ePathway enables Council customers to conduct local government e-commerce online.

Microsoft AX Dynamics

This programme is the main accounting software; this system records all accounting entries, inventory entries, account payable entries and fixed asset data. The AX system also provide the council reconciliation control environment, maintaining such control as GST and FBT obligations, bank reconciliations, as well of all other balance sheet reconciliations of the Council.

MYOB PayGlobal

Provides a workforce management with the payroll and human resources management software provides the analytical, planning and operational tools to monitor staff activities and performance. There is a self-service platform (Ernie) where employees and managers access leave, personal info, payslips, and timesheet data online. Allowing employee attendance, management and tracking.

Objective

Delivers an Electronic Document and Records Management (EDRMS) service across all of Council providing information management processes and business process automation with robust security, version control and audit management to ensure Council complies with recordkeeping standards; this reduces the risk associated with managing information in multiple locations

Opal 3

This programme is utilised by all departments who monitor their levels of service for activity; this programme requires specific data to be entered six weekly or monthly (as required). Third tier managers enter this data, with the Director or Manager to approve this entry. The data required is updated in line with the Long-Term Plan.

TM1 Cognos

This is the financial reporting and budgeting system for Council. Information is taken from the AX dynamics system and downloaded into the TM1 system, allowing Council to report on actual performance against budget. Council budgets for both the Long-Term Plan and Annual Plan are completed within the TM1 Cognos system.

9.5 PROGRAMME PERFORMANCE MONITORING AND REVIEW

The Director of Finance and Corporate Services, Manager – Financial Services and Investment Property Advisor all have differing but complementary roles in monitoring and review of the Investment Property Activity.

9.5.1 Monitoring Approach

Staff who oversee the budgets in relation to the Investment Property Activity receive monthly budget updates. This allows the opportunity to review the performance of the activity and highlight any areas of over or underachievement.

Council operates on a six-weekly cycle with meetings for the four Committees of Council that look into each department at Council and are provided with extensive monitoring and reporting of levels of services for activities and assets that come out of that department, alongside monthly financial accounts for each department. The Committee will question these reports with Managers present to answer any questions that arise from the reports.

The information for these reports is entered into various software systems as detailed in Section 9.4. This monitors the performance both fiscal, and service based against targets and budgets from Council's Long-Term Plan. Targets can be key performance indicators, internally driven targets or provided from a Ministry that oversees that area, ie Department of Internal Affairs. At a full Council meeting these reports are then received.

9.5.2 Frequency of Review

Every financial year Council prepares an Annual Report that is the key document in ensuring the expenditure for the year was efficient and is pertinent in ensuring accountability to the community and ratepayers.

The Annual Report does not just show the current financial status, but also shows the levels of service for all Council activities and assets measured against the yearly targets set in the Long-Term Plan. As noted in 9.1, these are measured and reported six weekly in the Council meetings. The Annual Report is a holistic overview of their performance.

10. Continuous Improvement

10.1 CURRENT ACTIVITY MANAGEMENT PRACTICE

	Type	Quite Inadequate	Needs a lot of improvement	Quite Good, But Could be Improved in Some Areas	Very Good	Comments
Management <ul style="list-style-type: none"> • Of the Department (Leadership) • Of the staff on a daily basis • 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 	PD PD OP			X		Direction for activity needs to be clarified
Technical Competence <ul style="list-style-type: none"> • New works design • Project Management • Management of contractors (especially Network Maintenance Contractors) • Maintenance organisation and management • Other technical skills required by this service 	OP OP OP OP PD				X	Signed contracts for significant contracts. Contracts with professional service providers.
Forward Planning and the Setting of Priorities <ul style="list-style-type: none"> • The completeness and overall quality of the priority setting and financial forecasts and assumptions for the next 20 years • For maintenance and operations (for the next 10 years) 	OP		X			Direction for Activity needs to be clarified

	Type	Quite Inadequate	Needs a lot of improvement	Quite Good, But Could be Improved in Some Areas	Very Good	Comments
<ul style="list-style-type: none"> For new capital (for the next 20 years) For renewals (for the next 10 years) 	OP OP					
Communications/Relationships					X	Professional, firm and fair relationships developed with clients.
<ul style="list-style-type: none"> With customers 	CS					
<ul style="list-style-type: none"> Written (letter writing) 	CS					
<ul style="list-style-type: none"> Verbal (phone) 	CS					
<ul style="list-style-type: none"> Verbal (personnel contact) 	CS					
<ul style="list-style-type: none"> With elected representatives (where relevant) 	CS					
<ul style="list-style-type: none"> With other departments 	CS					
<ul style="list-style-type: none"> Within the department 	PD					
Financial Management					X	Investment Property activity has performed well against budget targets.
<ul style="list-style-type: none"> Budgets preparation (quality, completeness, and timeliness) 	OP					
<ul style="list-style-type: none"> Adherence to budgets once approved 	OP					
<ul style="list-style-type: none"> Always aware of costs against budget throughout the year 	OP					
People				X		Two people employed in this activity.
<ul style="list-style-type: none"> Job breakdowns, job instructions, work guidelines practice notes available for all relevant tasks and all up-to-date 	PD					
<ul style="list-style-type: none"> All staff delegations up-to-date 	PD					
<ul style="list-style-type: none"> All warrants up-to-date 	PD					
Knowledge of the Physical Assets				X		Asset Management Plan to be

	Type	Quite Inadequate	Needs a lot of improvement	Quite Good, But Could be Improved in Some Areas	Very Good	Comments
<ul style="list-style-type: none"> How well the physical assets that have to be managed are understood 	OP					developed. Performance evaluation of all individual investment properties to be carried out.
<ul style="list-style-type: none"> Location 	OP					
<ul style="list-style-type: none"> Material type 	OP					
<ul style="list-style-type: none"> Condition 	OP					Investigation future uses of strategic land and buildings to be implemented.
<ul style="list-style-type: none"> Capacity 	OP					
<ul style="list-style-type: none"> Age and remaining life 	OP					
<ul style="list-style-type: none"> Performance 	OP					
<ul style="list-style-type: none"> Criticality 	OP					
Support Services <ul style="list-style-type: none"> Administrative support Financial support Office accommodation Office furniture and equipment (work tools) Transport Record keeping (completeness and easily accessible) Complete and up-to-date policy manual 	PD PD PD PD PD PD PD				X	Modern office furniture and office space are provided.
Performance Management <ul style="list-style-type: none"> Sufficient and appropriate performance measures Sufficient and appropriate performance targets 	OP OP			X		Annual Performance Reviews held.

	Type	Quite Inadequate	Needs a lot of improvement	Quite Good, But Could be Improved in Some Areas	Very Good	Comments
<ul style="list-style-type: none"> All measures and targets being monitored Monitoring results promptly reported (at all relevant levels) Performance trends (over several years) clear and understood Performance results actually used to improve performance 	OP					
<ul style="list-style-type: none"> All employees regularly being given “true” feedback about their performance 	PD					
Business Continuity <ul style="list-style-type: none"> Disaster Plans up-to-date 	OP				X	Loss of profit insurance cover held.
Legislative Compliance <ul style="list-style-type: none"> No known areas where legislative requirements not being fully complied with 	OP				X	None known.
Strategic Advice <ul style="list-style-type: none"> The general quality (and timeliness) of strategic advice (and the extent to which the strategic policy approach 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 	SA			X		Clarification of the direction for this activity required.
	CS					Timely reporting to Council.

Status 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							
Development of an Asset Management Plan for Investment Property buildings.			X				Asset Management Plan adopted by June 2020	SA	5	Investment Property Department	30 June 2020	NS	
Performance Evaluation of all individual Investment Properties (recommendations on individual asset retention, rationalisation and disposal or re-development).			X				Performance Evaluation completed by June 2020	SA	5	Investment Property Department	30 June 2020	NS	
Continuation of a Marketing Plan for Awarua Industrial Estate.		X					Marketing Plan to be developed by June 2021	OP	1	Chief Executive	30 June 2021	IP	
Service Level Agreements.				X			To be developed, agreed and completed with internal clients	SA	4	Investment Property Department	30 June 2020	NS	

Activity Improvement Key:

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

10.3 IMPROVEMENTS FROM PREVIOUS ACTIVITY MANAGEMENT PLAN

- Recruitment of a highly experienced Sharemilker to enhance Awarua dairy farm operation and output.
- Improved systems in relation to core responsibilities (insurance, property inspections, inspection maintenance, lease renewals/reviews).
- Focus on consolidating Investment Property portfolio to maximise yields/returns.
- Ensuring income stream for future endowment through development and tenanting of 20 Don Street development.

10.4 MONITORING AND REVIEW

Progress and successful completion of the improvement programme will be monitored through the staff performance management systems Council utilises. The success of the improvement programme will be further monitored through ongoing reporting to the Finance and Policy Committee of Council and where appropriate through the Annual Report process.

11. Glossary

Term	Definition
BWOF	Building Warrant of Fitness
Conveyance	Transfer of the legal title on a property from one party to another
Covenant	Restriction registered on the Certificate of Title to a piece of land which may affect future plans or resale of the property
Deed	A legal document which states ownership of a property
Easement	A right to cross or otherwise use someone else's land for a specified purpose
Endowment	Awarded or donated to provide permanent income (<i>proceeds from the sale of Endowment land must be invested in property as per the original purpose of the land</i>)
Fee Simple	Freedom to dispose of property at will
Freeholding	Tenure of land for life without restriction (ownership)
Geotechnical Scientist	Specialist who investigates subsurface conditions and materials
In Perpetuity	Forever
IQP	Independently Qualified Person
Leasehold	A form of property ownership where you own the buildings and any other improvements on the site, but you lease the land from a land owner
LINZ	Land Information New Zealand
Municipal	Relating to a city or town
Peppercorn	A very low or nominal rent
Perpetual Lease	Also referred to as a 'Glasgow Lease'. This usually lasts for 21 years; once the lease expires the tenant has a right of renewal on the same terms and conditions as the original lease
Reclaimed land	Land that was previously under water, or that was unusable, made suitable for occupation/building
Strategic	Advantageous/overall plan
Trading	Buy, sell or exchange

12. Appendices

The Appendices for all of Council's Activity Management Plans are kept separate. The list below highlights the appendices that relate to this Activity Management Plan and where to find them in the Corporate Appendices Register.

Refer to Appendix 8.01 for an overview of properties currently managed and controlled by the Investment Property Activity.

Number	Type	Title
1.01	Corporate	Long-Term Plan – Background and Assumptions 2018-2028
1.02	Corporate	Community and Regulatory Services: 2014 Residents' Survey
1.03	Corporate	2013 Service Level Survey: Parks, Reserves and Cemeteries Report
1.04	Corporate	2013 Service Level Survey: Roading Report
1.05	Corporate	2013 Service Level Survey: Solid Waste Report
1.06	Corporate	2013 Service Level Survey: Stormwater and Sewerage Report
1.07	Corporate	2013 Service Level Survey: Water Supply Report
1.08	Corporate	Levels of Service Research Report 2016
1.09	Corporate	Corporate Risk Framework / Standard
1.10	Corporate	Delegation Register September 2016
1.11	Corporate	Asset Data Confidence Report
8.01	Investment Property	Property managed and controlled by the Investment Property Activity