

Investments



Activity Management Plan
2024-2034





Investments Activity Plan

Asset			
	Name	Signature	Date
Prepared By	Heather Guise		
GM Review	Patricia Christie		
Peer Review			
Draft Adoption			
Council Adoption			

Changes to be incorporated in the Next Review

Number	Date of Change	Reason for Change

TABLE OF CONTENTS

Investments Activity Plan	2
Changes to be incorporated in the Next Review	3
Preface	5
Introduction / Summary.....	5
1. What we deliver	6
Activity Overview	6
1.1 Endowment Land and Buildings	6
1.2 Strategic Land and Buildings.....	7
1.3 Commercial (Trading) Land and Buildings.....	7
Community Outcomes	8
2. How we determine what we do	10
Our Levels of Service.....	11
3. What we're planning	13
Key Issues and Challenges.....	13
What's changing and why?	14
Assumptions.....	15
4. How we'll manage what we do	26
5. How we'll fund it	27
6. How we'll know we're delivering	36
How We'll Manage Improvements	36
Frequency of Review	36

Investments Activity Plan

Preface

Introduction / Summary

The Investments Activity Management Plan (AMP) covers one of the five activities in the Corporate and Regulatory Services group 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 Investments 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. What we deliver

Activity Overview

Council's Investment Activity includes all of the investing activities of Council. Those investments are comprised of:

- Invercargill City Holdings Limited - This is a Council Controlled Trading Organisation that is wholly owned by Invercargill City Council (ICC). It owns:
 - Electricity Invercargill Limited (EIL) shares, and through EIL various interests in a range of subsidiaries in electricity generation and supply lines.
 - Invercargill Airport Limited (IAL) (97.4%). IAL is seen as a Strategic Asset for the City within the Investment Portfolio.
 - Shares in Invercargill Central Limited that owns the recently-developed Inner City mall.
- Financial investments in term deposits - Council has a number of term deposits. Council's Treasury policy is based on a concept of net debt. Net debt is the total external debt minus cash holdings and term deposits. These term deposits ensure that Council has funds when necessary, and assists in keeping a sound credit rating that reduces the total cost of funds to the organisation. Our investment portfolio typically earns higher interest than the cost of borrowing. The investments are actively managed in short-term deposits.
- Property investments - Council has a range of property investments managed by the Property team.

Council's investment property portfolio is made up of:

- Endowment land and buildings.
- Strategic land and buildings.
- Commercial (Trading) land and buildings.
- Vacant land.

1.1 Endowment Land and Buildings

The endowment property portfolio is separated into Commercial leases, Industrial leases, Strategic leases and Residential leases. The majority of Council's endowment property is leased by way of perpetual 21 year ground leases with rental reviews of either five yearly, seven yearly or upon renewal. All outgoings (rates and maintenance) are paid by the tenant. The exception to this is 20 Don Street which is a large multi-tenanted multi-storey building in the centre of Invercargill. Rentals are set at market rates and have various review methods including annual CPI adjustment to regular market reviews.

There has been a trend recently by lessees requesting to purchase the freehold of their property at market rate and these are assessed on a case by case basis, dependent upon location and future use by Council to maintain part or all of the property. All moneys obtained from disposal of endowment land must be utilised by Council for the purpose of the endowment.

1.2 Strategic Land and Buildings

Council's strategic property includes land and buildings which were purchased for the strategic development of Invercargill either for the purposes of encouraging industrial growth, such as Awarua, or for development of public facilities. The majority of strategic property has no rental return either because the buildings are vacant and uninhabitable or of a community nature and have a peppercorn rental.

The bulk of the Awarua land previously operated as a share-milking activity has been disposed of and Council now remains with the block containing the German Heritage Precinct and a leased run-off block for the adjacent farm. Outgoings on these lands are the responsibility of Council.

1.3 Commercial (Trading) Land and Buildings

Council holds a small commercial (trading) property portfolio and rentals are at market rate with regular rent reviews. Leases are a mix of ground leases and land and building leases with mixed outgoings responsibilities.

A summary table of all Investment Property is set out below.

Table 1

Investments Activity Asset List as at 30 June 2023

Property Group	Asset	Address	Lease Description	Area (Ha)
Endowment	Commercial	20 Don Street	Land and Buildings	0.4048
Endowment	Commercial	115 Barrow Street	Land	0.1012
Endowment	Commercial	99-101 Spey Street	Land	0.1012
Endowment	Commercial	29 Yarrow Street	Land	0.1012
Endowment	Industrial	141 Bond Street	Land and Buildings	2.4746
Endowment	Industrial	192 Bond Street	Land	0.4047
Endowment	Industrial	210 Mersey Street	Land	0.4378
Endowment	Industrial	14 Mersey Street	Land	0.1937
Endowment	Industrial	152 Mersey Street	Land	0.3999
Endowment	Industrial	26 Tyne Street	Land	0.0809
Endowment	Residential	50 Teviot Street	Land	0.1012
Endowment	Residential	118 Bowmont Street	Land	0.1012
Commercial (Trading)	Industrial	55 Crinan Street	Land	0.2427
Commercial (Trading)	Commercial	118-122 Dee Street	Land	0.1012
Commercial (Trading)	Industrial	91 Mersey Street	Land	0.4147
Commercial (Trading)	Industrial	20 Spey Street	Land and Buildings	0.6855
Strategic	Endowment	194 Conon Street	Land	0.0320
Strategic	Development	71 Barrow Street	Land	0.1012
Strategic	Development	72 Barrow Street	Land	0.0326
Strategic	Development	135 Grace Street	Land	0.0933
Strategic	Development	262 Ness Street	Land	0.0853
Strategic	Development	66 Dee Street	Land	0.0607
Strategic	Awarua	62 Colyer Road	Land	1.0217

Property Group	Asset	Address	Lease Description	Area (Ha)
Strategic	Awarua	1276 Bluff Highway	Land and Buildings - <i>La Trobe University</i> <i>Radar</i> <i>Awarua Communications</i> <i>Museum</i> <i>3 x German Cottages</i> <i>Homestead</i> <i>Rural Lease</i>	96.6131
Vacant (Trading)	Land	3 Hyde Street		0.3142
Vacant (Trading)	Land	98 Stanley Township Road		0.1012

Community Outcomes

The table below summarises how Investments contribute to Council’s Community Outcomes.

The following graph includes the outcome statements for each of the four community wellbeings – Economic, Social, Cultural and Environmental.

Figure 1: The Four Wellbeings and Community Outcomes



Table 2

Community Outcomes

Community Outcomes	How the Activity Contributes
<p>Economic Wellbeing A future focused economy delivered through innovation and partnership and supported by appropriate infrastructure.</p>	<p>Investments support appropriate commercial and economic development in the District environs through the acquisition, disposal and/or lease of land and buildings.</p>

2. How we determine what we do

Activity Management Plans underpin the activities in the Long-term Plan, they record the current and desired Levels of Service and Maintenance, Capital Works Programmes and budgets (if applicable) required to ensure the activity meets the desired Levels of Service.

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.



Activity Management Plan Strategic Framework



Our Levels of Service

The Investments Activity supports Council’s outcome for economic wellbeing by supporting appropriate commercial and economic development in the District environs through the purchase, sale and/or lease of land, as well as the efficient management of the commercial investments of the Council to ensure maximum returns are made as a dividend back to the ratepayers of Invercargill.

Table 3

Investments Measures for Levels of Service

MEASURE 2024-2034		TARGET
<i>Investment Property</i>		
Occupancy levels are greater than 95%		>95%
Total Gross Income over Total Asset value	Total portfolio	4% net return
	Investment Property portfolio (excluding Strategic and Vacant land) gross income over total asset value	5% net return
Net rate of return is greater than Council’s planned cash deposit rate for the portfolio excluding Strategic, Development and Vacant land		> planned cash deposit rate 3.5%
<i>Other Investments</i>		
Net interest income is higher than budgeted		> Budget
Dividend income is in line with budget		= Budget

Table 4

Investments Baseline Measures and Targets

Measure		Baseline (2022/23)	2024/25 Target	2025/26 Target	2026/27 Target	2027-34 Target
Investment Property						
Occupancy levels are greater than 95%		New measure	>95%	>95%	>95%	>95%
Total Gross Income over Total Asset value	Total portfolio	New measure	4%	4%	4%	4%
	Investment Property portfolio (excluding Strategic and Vacant land) gross income over total asset value	New measure	5%	5%	5%	5%
Net rate of return is greater than Council’s planned cash deposit rate for the portfolio excluding Strategic, Development and Vacant land		New measure	> planned cash deposit rate 3.5%	> planned cash deposit rate 3.5%	> planned cash deposit rate 3.5%	> planned cash deposit rate 3.5%
Other Investments						
Net investments interest income is higher than budgeted		New measure	> Budget	> Budget	> Budget	> Budget
Investment dividend income is in line with the budget		New measure	= Budget	= Budget	= Budget	= Budget

3. What we're planning

Key Issues and Challenges

The key strategic issues and challenges facing the Invercargill City Council for 2024-2034 are:

- Meeting the changing needs of our rangatahi as part of our wider population, which is growing older and more diverse.
- Delivering city centre renewal.
- Enabling the housing, health, security and social infrastructure our city needs to grow.
- Navigating increasingly complex environmental challenges including climate change, land contamination and earthquake risks.
- Maintaining Community affordability in a time of economic volatility - Core infrastructure, major projects and levels of service will be delivered with financial prudence and efficiency.
- Ensuring Council leadership and delivery is credible and effective, building community trust and engagement.

To maintain an Investment Property portfolio which supports appropriate commercial and economic development in the District, the following key risks/challenges have been identified:

- Potential loss of tenants – a move towards greater online spending together with significant increases in market rental rates during the period 2020-2023 have resulted in commercial tenants reviewing their economic viability, which is reflected in tenants not renewing an existing lease or seeking to reduce a renewal term, creating some re-letting uncertainty.
- Purchase of freehold interests by tenants – the majority of these leases are held within the Endowment group of the portfolio whereby tenants own the improvements on the land and hold a perpetual leasehold interest in the land. Reduction of the portfolio creates a corresponding reduction in income.
- Opportunities to invest endowment funds – as a result of freeholding requests, net revenue from the sale of endowment properties is held pending reinvestment for the purposes of the endowment.
- Desire to use properties for strategic or community purposes – properties within the Portfolio which are classified as strategic have little or no return which decreases the investment revenue from the Portfolio.

The risks and challenges identified in relation to investment in Invercargill City Holdings Limited (ICHL) are:

- Maximising a long term stable dividend. The ICHL dividend is an important source of operating income for Council and offset costs which would otherwise be rated for. ICHL's investments are in regulated activities providing a regulated return which reduces the risk that Council will not receive its dividend. However, there remains a risk that the level of the long term stable dividend is insufficient for Council's needs.
- Aligning to Council vision and objectives. ICHL, as the holding company for Council's commercial interests, needs to operate with vision and objectives that are in alignment with Council's. This is achieved via the letter of expectation process which ensures that ICHL understand Council's vision and objectives and operate in that manner.

The risks and challenges identified in relation to the Treasury services are:

- Interest rate fluctuations – the last three years has seen considerable fluctuation in interest rates, while forecasts based on expert advice have been prepared, it is highly likely that this will be incorrect.
- Council borrowing not in line with plan – borrowing is planned based on expected capital delivery. Should capital be delivered quicker/slower than planned it will impact the amount that will need to be borrowed. To offset this, Council typically borrows after the expenditure has been incurred using its strong liquidity position to meet regular payments.

What's changing and why?

This Plan proposes to retain an Investment Property Portfolio as a way to provide revenue streams for Council funding while continue to assess the strategic need of various properties.

Accordingly, the portfolio has reduced over the 2021-2031 Long-term Plan period through the disposal of assets which are better utilised by the private sector or which no longer provide a strategic need for Council. Council will investigate the purchase of new property as and when it becomes available to ensure a viable Portfolio is maintained.

The property at Awarua within the heritage precinct consists of three German Cottages, the Homestead and associated out buildings. While the German Cottages have been renovated and are fully tenanted, the Homestead does not meet current Healthy Homes legislation. Capital expenditure to meet this legislation and future proof the building is programmed and detailed in the Property Asset Management Plan.

Assumptions

Table 5 *Key Assumptions from 2024-2034 LTP related to Investments*

ECONOMIC	Likelihood	Certainty	Consequence	Council Response
<p>Economy</p> <p>CPI Inflation will peak in June 2023 and stay above 3% until 2025/2026.¹ Employment is expected to weather any recessionary conditions fairly well but unemployment is expected to increase nationally.²</p> <p>A short term dip is forecast for the early years of the plan with stronger growth in professional and highly skilled occupations.³</p>	Moderate/Likely	Medium	Moderate	<p>Inflation increases would have significant impact on budgets. Council would need to consider changes to services and/or the financial strategy.</p> <p>If LGCI inflation was 0.5% higher than forecast this would increase Council operational costs by \$0.5 – \$1.6 million per annum for the first 3 years of the plan.</p> <p>Council capital costs would increase by \$0.4 - \$1.3 million per annum for the first 3 years of the plan.</p> <p>Increases in operational costs would impact the expected rates increase in those future years.</p>
<p>Community funding</p> <p>Despite recent economic challenges, Community Trust South and the Invercargill Licensing Trust Group have managed to return their funding levels to pre Covid-19 levels. This is anticipated to take some pressure off Council's funding pool.</p>	Likely	High	Minor	<p>Council will continue to liaise with other funding partners, including to monitor forecast security of investment, to assist control of this risk.</p>

¹ Infometrics report “Economic update for Long Term Planning for Invercargill City Council”, April 2022, p11

² Infometrics report “Southland Region forecasting scenarios for Beyond 2025 Southland”, June 2023, p15

³ Id. p15-18

<p>Economic diversification</p> <p>Volatility in the global economy may affect one or more of Invercargill's key export industries.</p> <p>This will drive diversification but will slow growth. Employment growth in new industries such as aquaculture and green hydrogen is not expected to offset any declines in agriculture.⁴ There may be a delayed effect through the risk of impacted industries abandoning properties. Growth in the forestry industry as a result of carbon farming has the potential to negatively impact Invercargill's economy.⁵</p>	Possible	Low	Moderate	<p>Council will continue to work closely with the Regional Council, Great South, the Chamber of Commerce and other stakeholders to support economic diversification for the region. In the case of significant industry decline a targeted response may need to be developed.</p> <p>The financial impact of this assumption is on the city's rating base, infrastructure network needs and the community's rates affordability. Changes in this assumption are not expected to be sharp shocks and as a result we will be able to flex annual plans and future LTPs to take account of these changes.</p> <p>At this point in time we do not expect this to have a significant effect on financial modelling for Years 1-3 of this Long-term Plan.</p>
<p>Central Business District</p> <p>The City Block development has been successfully completed and has attracted new development, including two new hotels in the city centre. Council will continue to support initiatives to drive the success of a thriving CBD. GDP will increase by \$14 million annually as a result of the investment until 2030.⁶</p>	Likely	High	Moderate	<p>Council remains strongly committed to its vision "Our City with Heart – Hē Ngākau Aroha." Any divergence from this vision could impact the financial viability of ICL but is not expected. Further investment may be required either in the City Block or associated city streets improvements.</p>

⁴ Beyond 2025 Southland Regional Long Term Plan, p20-21

⁵ Id. p20

⁶ NZIER report "Invercargill CBD regeneration", May 2023, p17

<p>Tourism</p> <p>Tourism in the Visit Southland area is expected to increase to between 160% - 165% of pre-Covid levels by 2029.⁷ Invercargill is expected to proportionally benefit from this increase and demand for accommodation to increase and to be met from within existing stock.</p>	Moderate/Likely	Medium	Minor	<p>Tourism, while important, is not currently a major driver of the Invercargill economy, although it has great potential to grow.</p> <p>Council may need to invest in further infrastructure if tourism grows faster than expected and manage any flow on impact on housing availability given housing constraints.</p>
<p>International Education</p> <p>The numbers of international students studying at Southern Institute of Technology (SIT) Te Pūkenga are not expected to return to pre-Covid levels until 2028 at the earliest.⁸ The decline as a result of Covid would be compounded if there was a change in policy at Te Pūkenga with reduced focus on recruiting international students, and by reduced domestic competitiveness as a result of the likely end of the Zero Fees policy.</p>	Moderate/Likely	Medium	Minor	<p>International students and their families create significant demand for certain categories of housing, including city centre housing. Lower numbers of international students will likely be a factor in the trend of an increasingly aged population. Lower or higher than expected numbers of international students may require an adjustment in Council response to City Centre strategy and/or other provisions/partnerships impacting housing availability.</p>
<p>Climate change regulatory change</p> <p>Legislative change is expected to increase requirements, reflected in the Emissions Reduction Plan and the National Adaptation Plan, on businesses and Council with an impact on economic growth as yet unknown.⁹</p>	Likely	Medium	Moderate/ Major	<p>Council is working with the regional Climate Change Working Group to set a strategy for the region and action plan for Council. Further investment will be required in activities to reduce emissions and to better understand climate change risk to Council assets.</p>

⁷ Beyond 2025 Southland Regional Long Term Plan, p56

⁸ Infometrics report “Economic update for Long Term Planning for Invercargill City Council”, April 2022, p18

⁹ Ministry for the Environment “Implementing Aotearoa New Zealand’s first emissions reduction and national adaptation plans”, 2023

COUNCIL OPERATIONS	Likelihood	Certainty	Consequence	Council response
<p>Water Reform¹⁰ At present it is assumed that Council will retain three waters for the short term but that in the medium term a new structure such as a CCO is likely.</p> <p>This will result in a structural change for Council in relation to the ownership of assets and associated debt capacity.</p> <p>The services will continue to be delivered, but these will be provided by another party.</p> <p>This will include increased regulatory requirements as required by the new regulatory authority.</p> <p>There are a number of risks which may remain:</p> <ul style="list-style-type: none"> • Some services which are a priority to the community (e.g. alternative water supply) may not be a priority to the new entity. • Some assets which have multiple purposes and value to the community may be better held by Council – e.g. Water Tower. • Loss of key staff through the transition may result in loss of local knowledge and expertise. 	Likely	Medium	Major	Depending on the future structure the impact to Council operations is major but moderate for the city, as services will be maintained in any scenario. Water items are included within the Infrastructure Strategy.

¹⁰ www.waterservicesreform.govt.nz/how-do-these-changes-affect-me/councils/ (retrieved 15/09/23)

<ul style="list-style-type: none"> Impact on Council budgets through loss of water revenue and transfer of debt which may not be appropriately met through the transfer. 				
<p>Legislative changes</p> <p>There will be changes to legislation that have an impact on how Council will provide services. These changes may affect Council organisational structure but not change the level of service received by the customer/ratepayer in the first three years of the plan.</p>	Likely	Medium	Minor/ Moderate	Management will continue to engage with Central Government to ensure levels of service are maintained or improved and plan for changes in services in response to policy and regulation changes as they arise.
<p>Consents</p> <p>Council will continue to carry out legislation-directed ordinary functions while factoring in an increase to required quality for consent conditions.</p>	Likely	High	Minor/ Moderate	Consent processes at Bluff and Clifton Water Treatment Plants have commenced, although under an increased level of uncertainty as a result of the reform programme. Any impact on the consent process as a result of this uncertainty would be significant.
<p>The Funding Assistance Rate</p> <p>(as advised from Waka Kotahi) NZTA will continue at 51% funding assistance until 2026/2027. It is assumed that it will then remain at 51% for the life of the Plan.</p>	Likely	Low	Moderate	<p>Significant changes would have an impact on Council's ability to maintain levels of service and may require changes to budgets. Council continues to work closely in partnership with Waka Kotahi to manage this risk.</p> <p>If the FAR (Funding Assistance Rate) rate decreased by 1%, there would be reduction of subsidy revenue of \$0.2 - \$0.3 million per annum.</p> <p>If the funding was replaced with rates revenue, an additional 0.30% rates increase would be required each year.</p> <p>If the funding was replaced with borrowings, an additional 0.02% rates</p>

				<p>increase would be required each year to pay for interest and repayments and borrowings would increase by \$0.2 - \$0.3 million per annum.</p> <p>Capital and operational programmes would need to be reviewed if funding was not available.</p>
<p>Asset life Assets will remain useful until the end of their average useful life, noting this requires underlying assumptions regarding asset condition to be correct.</p> <p>Infrastructure installed in the 1920s is nearing end of life and require renewal within the term of the Infrastructure Strategy.</p>	Moderate/Likely	High	Moderate	<p>Assets may need to be renewed earlier if this underlying assumption is incorrect. This may also change the renewal profile or may allow delayed renewal in other cases. Council will review the remaining asset life at each of the triennial asset revaluations and undertaken regular asset condition assessments.</p>
<p>Infrastructure network development It is anticipated that a 1% extension of the network (roading, three waters) will be required to service forecast growth needs of business and/or residential property. Locations are not yet known so more accurate forecasts are not possible.</p>	Uncertain	Low	Moderate	<p>Invercargill has not operated under a growth assumption in the immediate past as the network was constructed to support a higher level of population. However, new potential industries are expected, if they eventuate, they are likely to create significant new demands on the network. As a result, Council is planning for this uncertainty by allowing for growth.</p> <p>The additional cost would be met via contractual financial contributions, reprioritisation of the capital programme and if necessary an increase in the budget provided for the capital programme. At present our capital programme is on average</p>

				\$84 million per annum. We expect that this may increase the capital programme by approximately 5% per annum.
<p>Capital programme delivery</p> <p>100% of roadmap and strategic projects are expected to be delivered. 80% of the core capital programme will be delivered in Year 1 and 2, 85% in Year 3, and 90% thereafter, following implementation of the Local Water Done Well Reforms. Pipe renewals are expected to be delivered at 70%.</p>	Possible	Low	Moderate	<p>Council continues to invest in enhanced project management capacity and supporting construction sector capacity through new ways of working. The financials will be reforecast to reflect the delivery expectations each year.</p> <p>The financial impact this assumption not being met is the deferral of capital expenditure until later years, higher risk of asset failure meaning assets will be sweated longer and repairs and maintenance will increase and emergency rather than planned replacement may become more frequent.</p>
<p>Investment Property & Biological Assets</p> <p>Investment Property & Biological Assets are valued on a yearly basis. They are expected to increase in value in line with inflation. This is reflected in our Financial Strategy, and Accounting policies.</p>	Likely	High	Low	Variations in valuations have no cash flow implications for Council. Council will continue to value Investment Property and forestry assets on an annual basis.

FINANCIAL	Likelihood	Certainty	Consequence	Council Response
<p>Inflation</p> <p>Operational forecasts and capital work programmes will increase by the accumulated Local Government Cost Index inflation forecast by BERL, being 2.9% for operational and 3.0% for capital in 2024/2025. Staff cost inflation will be 3.5%. Insurance cost inflation will be 12%.</p>	Likely	Medium	Moderate	<p>Cost change factors are based on information developed for councils by BERL. Significant variations to inflation would have an impact on Council's financial management. The significant changes in recent years in relation to inflation mean that level of uncertainty has increased as to whether increased fluctuations in the BERL cost estimates can be expected. Council will continue on the planned pathway for the Capital Works programme and review operational revenue and expenditure each year.</p> <p>If inflation was 0.5% higher than forecast this would increase Council operational costs by \$0.5 – \$1.6 million per annum for the first 3 years of the plan. Council capital costs would increase by \$0.4 - \$1.3 million per annum for the first 3 years of the Plan.</p> <p>Increases in operational costs would impact the expected rates increase in those future years.</p>
<p>Asset revaluation</p> <p>Asset values will increase by the accumulated Local Government Cost Index inflation forecast by BERL on the last valuation value. Revaluation occurs in 2024/2025 and every third year thereafter.</p>	Likely	Medium	Moderate/ Major	<p>Changes in valuation (cost price) or life of Council assets have a significant impact on Council's financial management and capital programme. Council will continue on the planned pathway for the Capital Works programme and monitor after each revaluation cycle.</p> <p>If revaluation values were 0.5% higher than forecast this would increase Council</p>

				Property, plant and equipment revaluation gain / (loss) by \$0.3 million in 2024/2025.
Depreciation rates on planned asset acquisitions Buildings 2.4% Hard surfaces and appurtenance 6% Intangible assets 32.8% Investment property buildings 0% Library collections 16% Monuments and statues 0% Motor vehicles 29.3% Plants and equipment 23.5% Restricted buildings 0% Roads, bridges and footpaths 3.5% Stormwater systems 1.5% Wastewater Other Assets 1.4% Wastewater treatment plants 6.4% Water other assets 2.1% Water treatment plants 2%	Likely	High	Low	Regular reviews of appropriate rates incorporating asset life and value data are undertaken as part of the asset revaluation process.
Interest rates - Borrowing Expected interest rates on borrowing will be 4.25% in 2024/2025 and 4.5% thereafter	Moderate/Likely	Medium	Moderate	A significant change in interest rates and the cost of borrowing would have a significant impact on Council budgets. Changes to services or the Financial Strategy would need to be considered. If interest rates was 0.5% higher than forecast this would increase Council finance expenses by \$0.8 – 1.1 million per annum for the first 3 years of the Plan.

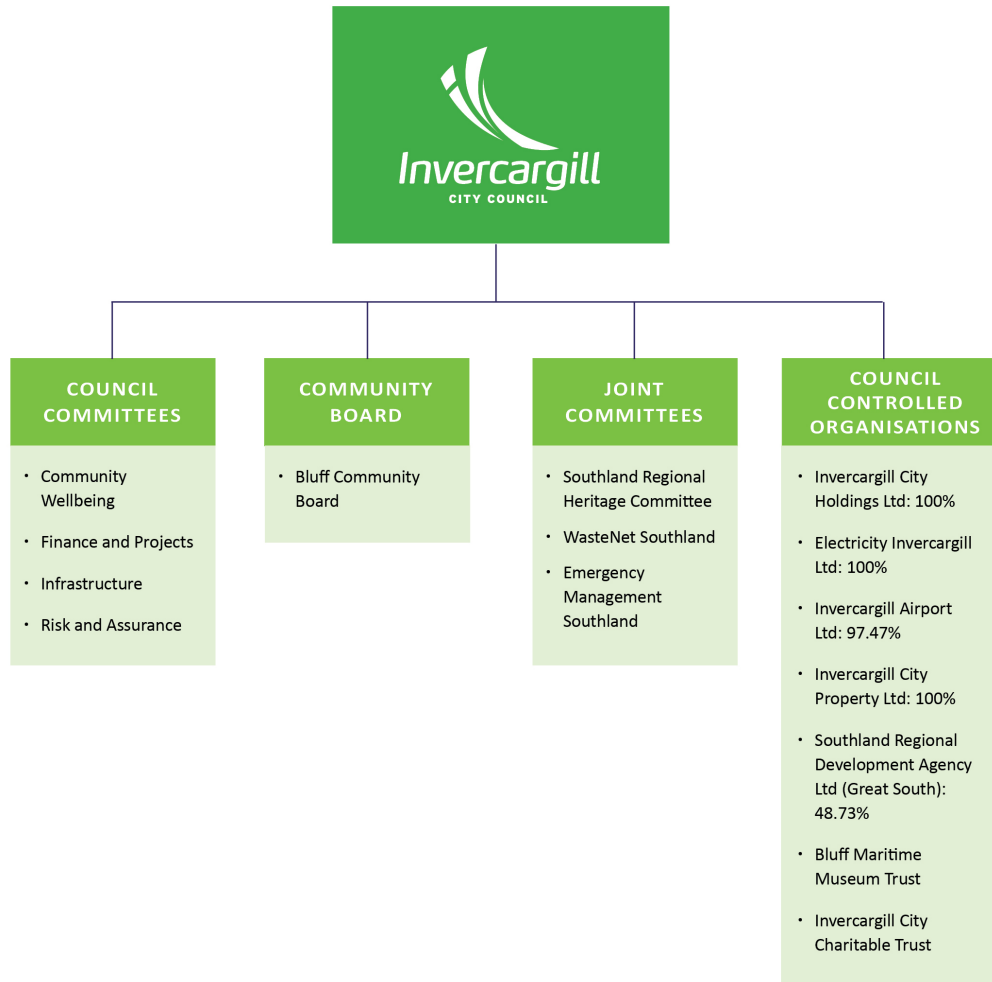
<p>Interest rates – Cash and Deposits</p> <p>Return on cash and term deposits are forecasted to be 5.5% in 2024/2025, 5% in 2025/2026, 4.5% in 2026/2027, and 4% thereafter.</p>	Likely/ Almost Certain	Medium	Minor	<p>Term deposit rates currently vary between providers but most providers have a discount on rates from their prime lending rates.</p> <p>If interest rates were 0.5% higher than forecast this would increase Council finance revenue by \$0.3 million per annum for each of the first 3 years of the Plan.</p>
<p>Dividends from ICHL</p> <p>Dividends will be minimum \$5.5 million, plus an additional \$4 million special dividend for the ten years of the Long-term Plan, resulting in a combined dividend rate of \$9.5 million.</p>	Likely	Medium	Minor/ Moderate	<p>There would be a negative impact on Council's overall revenue and cash position if the dividend level was not maintained, which would increase the burden on ratepayers.</p> <p>Council will consider strategic reliance on dividend noting increased levels of economic uncertainty and impact of Council future direction to ICHL regarding holding of non- financial strategic assets.</p>
<p>External Funding</p> <p>It is assumed Council will achieve the level of external funding as estimated.</p>	Possible/ Moderate	Medium	Minor/Moderate	<p>Council is expecting external funding from Central Government, community and private investment into a number of strategic projects. While not all funding may be achieved, the estimates are based on expert analysis and are expected to be at least partially fulfilled. Council expects to be in a position to meet any shortfall.</p>

A full list of assumptions can be found online.

4. How we'll manage what we do

Council Structure

Te hanganga kaunihera



Investment Property is managed by the Property team and the Financial Services team manage Financial Investments.

5. How we'll fund it

Table 6

Funding for Investments Activity

Activity	Source of Funding				
	User Charges / Fees	Investment Income	General Rate	Targeted Rate	Loans
Operational	✓	✓			
Capital		✓			✓

Table 7

Investments Total Expenditure OPEX and CAPEX 10 years

	2023/24 Annual Plan (\$000)	2023/24 Forecast (\$000)	2024/25 LTP (\$000)	2025/26 LTP (\$000)	2026/27 LTP (\$000)	2027/28 LTP (\$000)	2028/29 LTP (\$000)	2029/30 LTP (\$000)	2030/31 LTP (\$000)	2031/32 LTP (\$000)	2032/33 LTP (\$000)	2033/34 LTP (\$000)
OPERATING												
Rates revenue	-	-	(7,876)	(7,889)	(7,951)	(7,941)	(8,042)	(8,139)	(8,242)	(8,374)	(8,502)	(8,657)
Subsidies and grants (Capital)	-	-	-	-	-	-	-	-	-	-	-	-
Subsidies and grants (Operational)	-	-	-	-	-	-	-	-	-	-	-	-
Direct charges revenue	(102)	-	-	-	-	-	-	-	-	-	-	-
Rental revenue	1,526	1,526	1,710	1,748	1,788	1,829	1,869	1,909	1,947	1,986	2,023	2,062
Finance revenue	2,397	3,012	2,698	2,347	2,380	2,533	2,668	2,793	2,927	3,077	3,228	3,387
Dividends	5,303	5,478	9,457	9,577	9,705	9,836	9,965	10,090	10,212	10,348	10,469	10,592
Fines	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue	305	305	314	321	328	336	343	350	357	364	371	378
Internal charges and overheads recovered	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	9,429	10,321	6,303	6,104	6,250	6,593	6,803	7,003	7,201	7,401	7,589	7,762
OPERATING EXPENSES												
Employee expenses	-	-	-	-	-	-	-	-	-	-	-	-
Administration expenses	257	153	157	161	165	168	172	176	179	183	186	190
Grants & subsidies expenses	-	-	-	-	-	-	-	-	-	-	-	-
Operational expenses	400	443	426	437	448	459	470	480	491	502	513	524
Utilities expenses	240	286	292	301	310	319	328	336	344	351	359	367
Repairs & maintenance expenses	86	86	161	164	168	172	175	179	183	186	190	194
Depreciation and amortisation	4	3	3	2	2	1	1	1	1	-	-	-
Finance expenses	2,512	2,776	3,063	2,745	2,806	2,931	2,958	2,987	3,001	3,004	2,996	2,967
Internal charges and overheads applied	-	-	-	-	-	-	-	-	-	-	-	-
Total expenses	3,499	3,747	4,102	3,810	3,899	4,050	4,104	4,159	4,199	4,226	4,244	4,242
OPERATING SURPLUS / (DEFICIT)	5,930	6,574	2,201	2,294	2,351	2,543	2,699	2,844	3,002	3,175	3,345	3,520
CAPITAL EXPENDITURE - Funded												
• to meet additional demand	-	-	-	-	-	-	-	-	-	-	-	-
• to improve the level of service	-	-	-	-	-	-	-	-	-	-	-	-
• to replace existing assets	-	-	206	-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE	-	-	206	-	-	-	-	-	-	-	-	-
Gross proceeds from sale of assets	-	1,341	1,744	679	818	699	684	667	681	662	675	654

Figure 1

Investments Operating Revenue – 10 Years

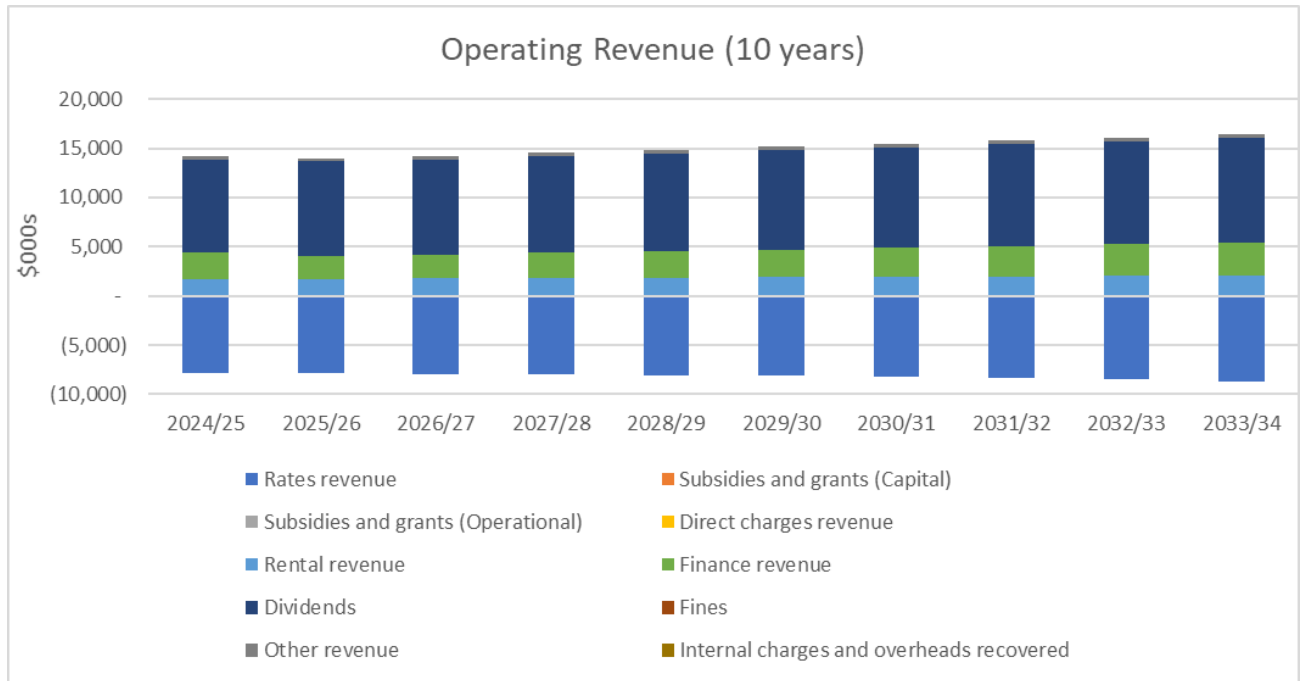


Figure 2

Investments Operating Expenditure – 10 Years

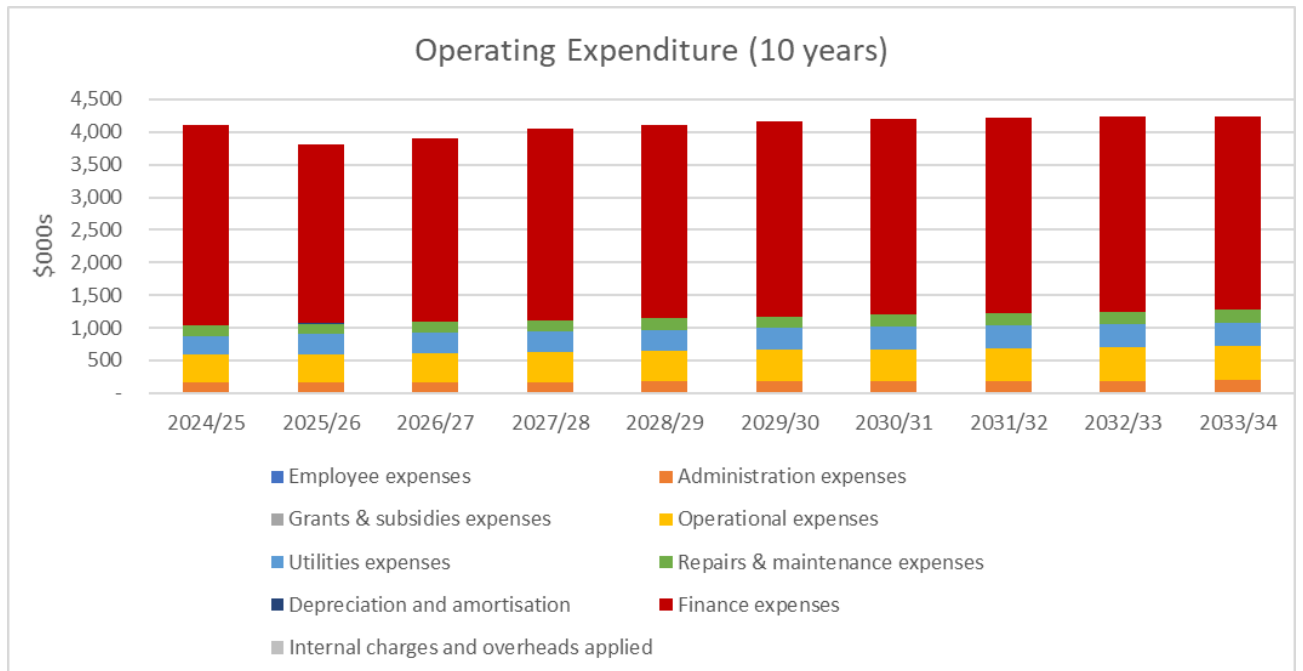


Figure 3

Investments Capital Expenditure – 10 Years

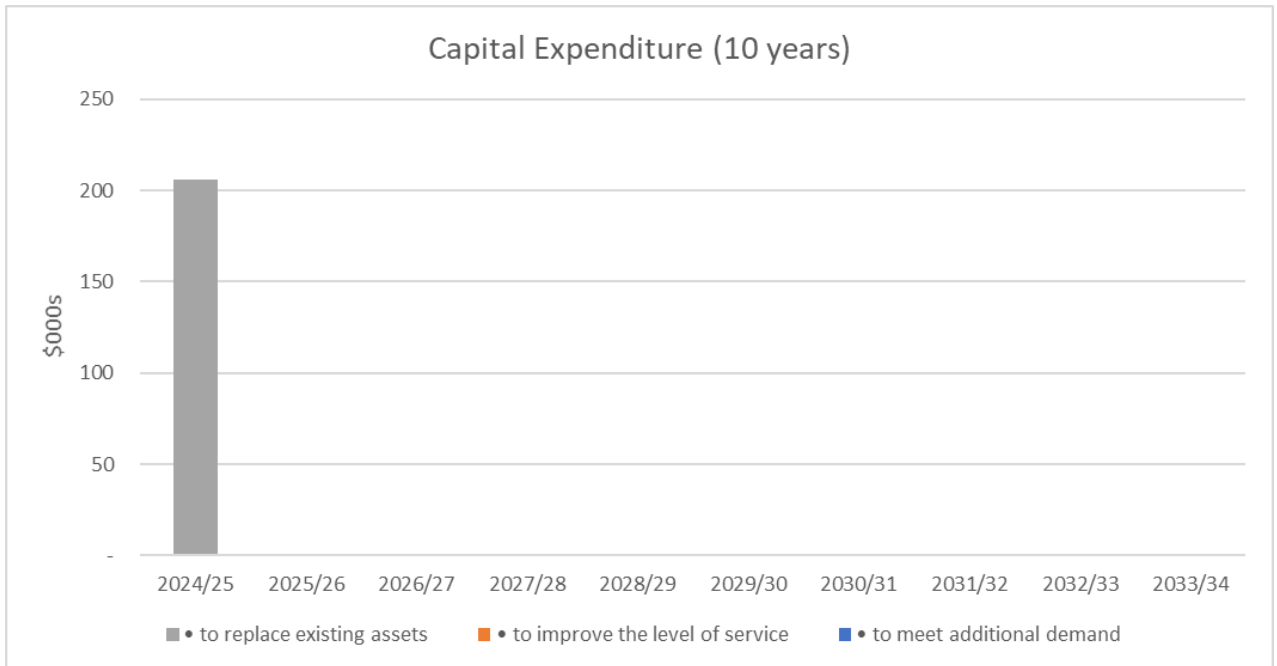


Table 8

Investments Total Expenditure OPEX and CAPEX 30 years

	2025 - 2029	2030 - 2034	2035 - 2039	2040 - 2044	2045 - 2049	2050 - 2054
	LTP	LTP	LTP	LTP	LTP	LTP
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
OPERATING						
Rates revenue	(39,699)	(41,914)	(26,598)	(31,590)	(37,519)	(44,561)
Subsidies and grants (Capital)	-	-	-	-	-	-
Subsidies and grants (Operational)	-	-	-	-	-	-
Direct charges revenue	-	-	-	-	-	-
Rental revenue	8,944	9,927	10,945	12,084	13,342	14,731
Finance revenue	12,626	15,412	18,731	21,192	24,193	27,837
Dividends	48,540	51,711	32,960	32,960	32,960	32,960
Fines	-	-	-	-	-	-
Other revenue	1,642	1,820	2,010	2,217	2,447	2,702
Internal charges and overheads recovered	-	-	-	-	-	-
Total revenue	32,053	36,956	38,048	36,863	35,423	33,669
Employee expenses	-	-	-	-	-	-
Administration expenses	823	914	1,007	1,112	1,228	1,357
Grants & subsidies expenses	-	-	-	-	-	-
Operational expenses	2,240	2,510	2,842	3,242	3,694	4,204
Utilities expenses	1,550	1,757	1,959	2,191	2,450	2,741
Repairs & maintenance expenses	840	932	1,026	1,134	1,251	1,383
Depreciation and amortisation	9	2	-	-	-	-
Finance expenses	14,503	14,955	17,935	17,935	17,935	17,935
Internal charges and overheads applied	-	-	-	-	-	-
Total expenses	19,965	21,070	24,769	25,614	26,558	27,620
OPERATING SURPLUS / (DEFICIT)	12,088	15,886	13,279	11,249	8,865	6,049
CAPITAL EXPENDITURE - Funded						
• to meet additional demand	-	-	-	-	-	-
• to improve the level of service	-	-	-	-	-	-
• to replace existing assets	206	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE	206	-	-	-	-	-
Less proceeds from sale of assets	4,624	3,339	3,653	4,032	4,453	4,917

Figure 2

Investments Operating Revenue – 30 Years

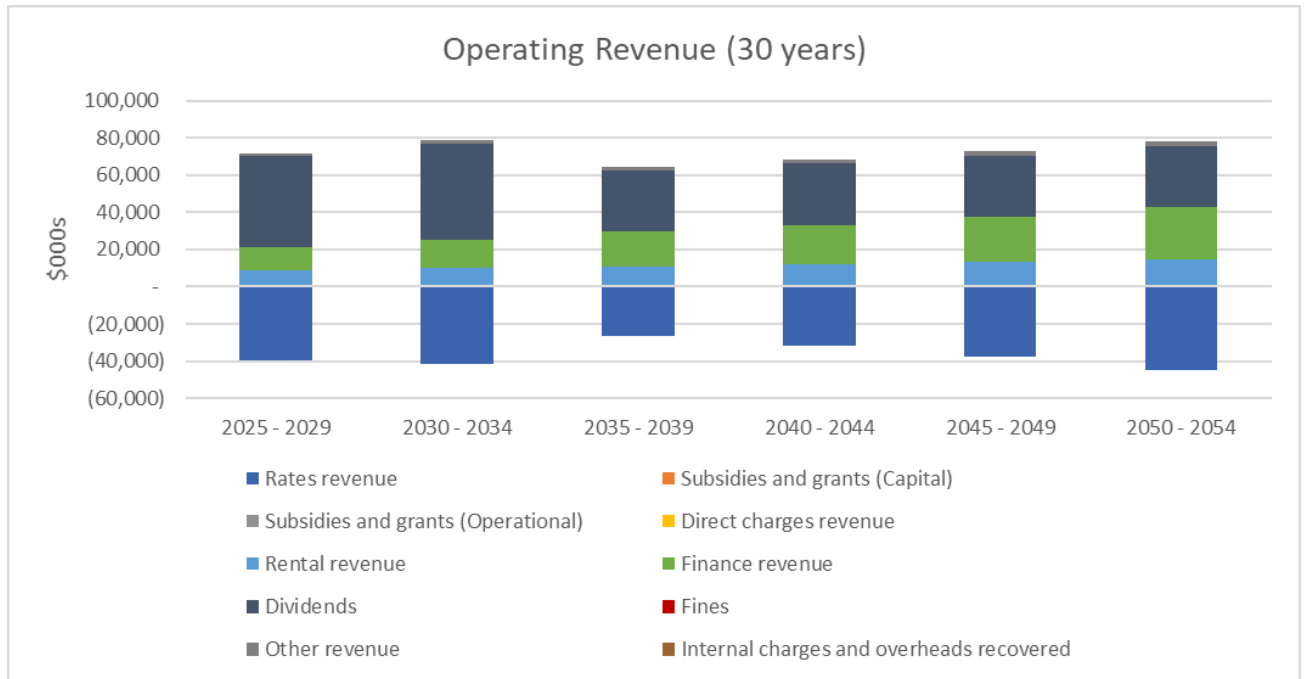


Figure 4

Investments Operating Expenditure – 30 Years

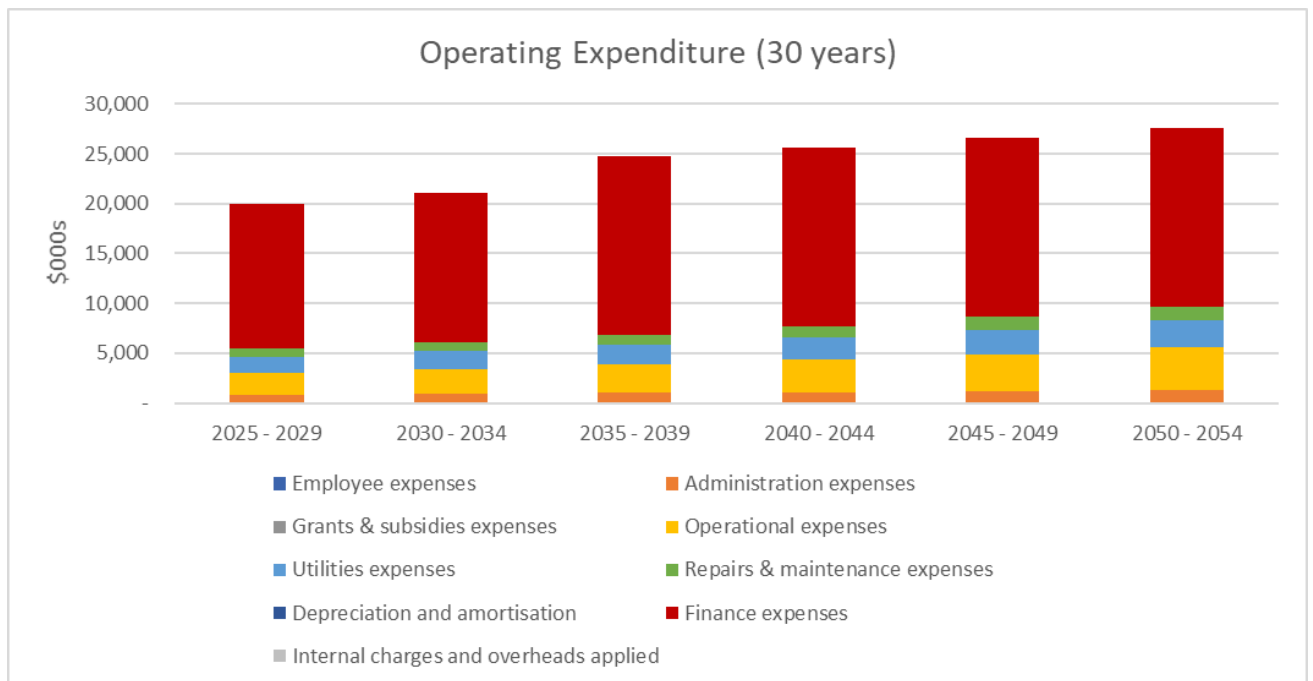


Figure 6

Investments Capital Expenditure – 30 Years

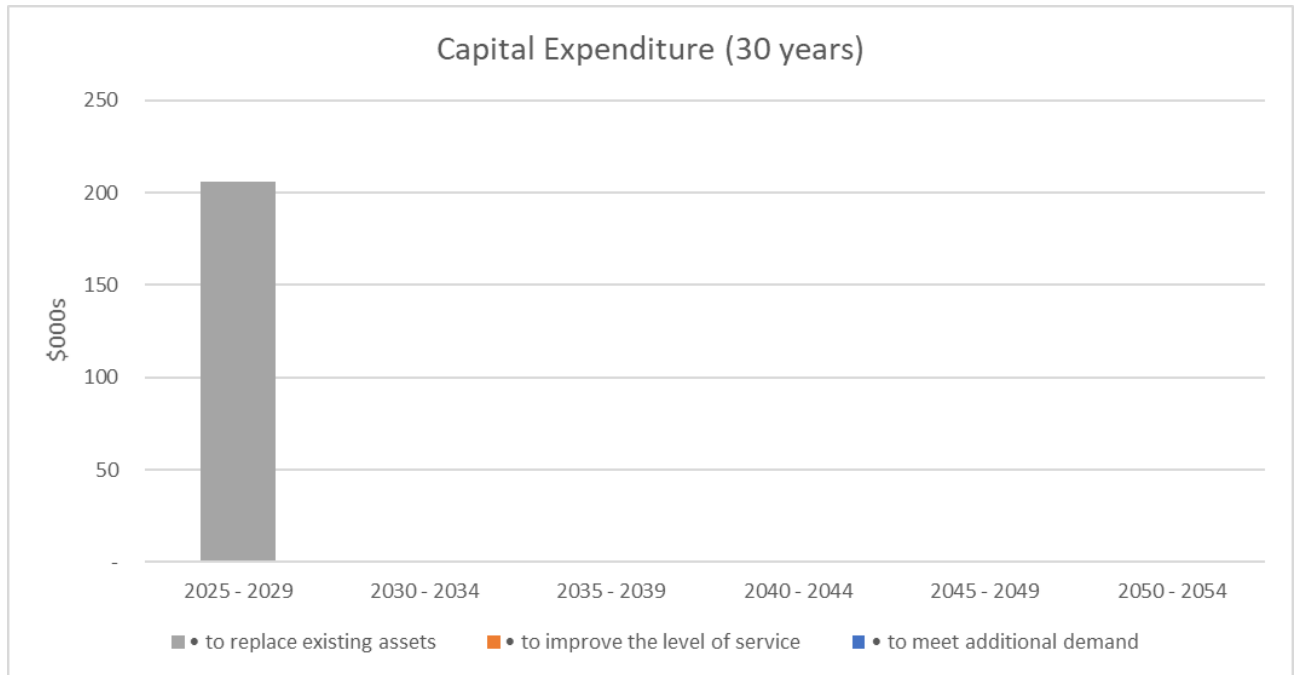


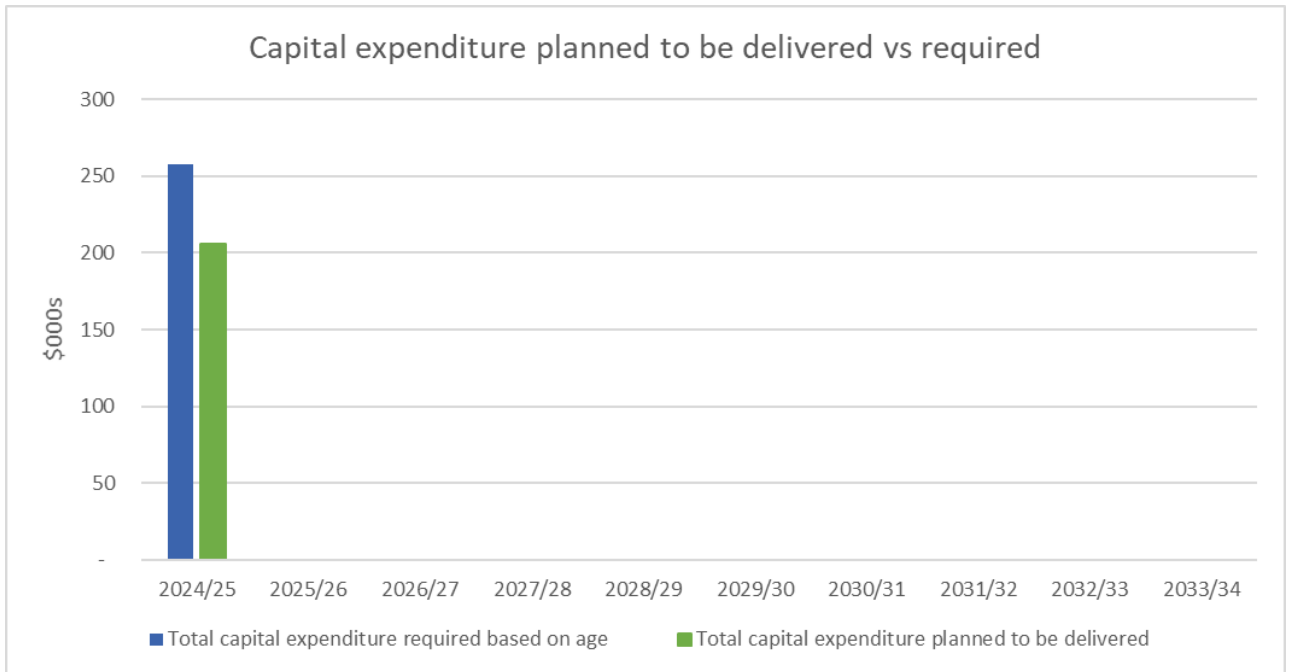
Table 9

Investments Capital Expenditure Planned Delivery vs Required

	2023/24 Annual Plan (\$000)	2023/24 Forecast (\$000)	2024/25 LTP (\$000)	2025/26 LTP (\$000)	2026/27 LTP (\$000)	2027/28 LTP (\$000)	2028/29 LTP (\$000)	2029/30 LTP (\$000)	2030/31 LTP (\$000)	2031/32 LTP (\$000)	2032/33 LTP (\$000)	2033/34 LTP (\$000)
Capital expenditure required based on age												
• to meet additional demand	-	-	-	-	-	-	-	-	-	-	-	-
• to improve the level of service	-	-	-	-	-	-	-	-	-	-	-	-
• to replace existing assets	-	-	258	-	-	-	-	-	-	-	-	-
Total capital expenditure required based on age	-	-	258	-	-	-	-	-	-	-	-	-
Capital expenditure planned to be delivered												
• to meet additional demand	-	-	-	-	-	-	-	-	-	-	-	-
• to improve the level of service	-	-	-	-	-	-	-	-	-	-	-	-
• to replace existing assets	-	-	206	-	-	-	-	-	-	-	-	-
Total capital expenditure planned to be delivered	-	-	206	-	-	-	-	-	-	-	-	-

Figure 7

Investments Capital Expenditure Planned Delivery vs Required



This graph shows that the capex funding requested for renewal of existing assets will be fully funded in the Long Term Plan

6. How we'll know we're delivering

How We'll Manage Improvements

Council operates on a four-weekly cycle with meetings being on a Tuesday of each week, Week One – Infrastructure Committee, Week Two - Community Wellbeing Committee, Week Three Finance and Projects Committee with the Risk and Assurance Committee held every quarter and Week Four being Council. The Committees and Council monitor and consider reports on levels of services for activities and assets alongside monthly financial accounts for each department. Members 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. 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, i.e. Department of Internal Affairs. At a full Council meeting these reports are then received and performance monitored quarterly.

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. These are measured and reported quarterly in the Council meetings. The Annual Report is a holistic overview of their performance.