

Investment

LTP Council Workshop

11 July 2023

The Investment Activity

The Investment Activity has three main service lines:

- The investment property portfolio
- Share investment in ICHL and other CCOs
- Council's treasury activity including the loan to ICL

Strategic priorities and community outcomes



Most relevant strategic priorities

- 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.

Key issues for the Investment activity

- Maximising the available return to reduce rates requirement

Current Budget

Treasury	Annual Plan 2023/2024 (\$000)	
<u>Operational</u>		
Targeted rates revenue	0	0%
General rates revenue	0	0%
Other revenue (excluding capital subsidy revenue)	7,426	100%
	<u>7,426</u>	
Operational expenditure (excluding depreciation)	2,228	
Depreciation expenditure	0	
	<u>2,228</u>	
<u>Capital</u>		
Capital subsidy revenue	0	
Capital expenditure		
• to improve the level of service	0	
• to replace existing assets	0	
	<u>0</u>	

Staff levels (excludes Casuals and Elected Members):

Managed by Corporate Services Team

Investment Property	Annual Plan 2023/2024 (\$000)	
<u>Operational</u>		
Targeted rates revenue	0	0%
General rates revenue	0	0%
Other revenue (excluding capital subsidy revenue)	2,003	100%
	<u>2,003</u>	
Operational expenditure (excluding depreciation)	1,267	
Depreciation expenditure	4	
	<u>1,271</u>	
<u>Capital</u>		
Capital subsidy revenue	0	
Capital expenditure		
• to improve the level of service	0	
• to replace existing assets	0	
	<u>0</u>	

Staff levels (excludes Casuals and Elected Members):

Managed by Property Team

Maintaining levels of service

- Make up of the Investment Property Portfolio – mixture of income producing and strategic/community assets.
- Maximising return from ICHL group
- Minimising the cost of borrowing

Requirements to maintain compliance

- Investment required at Awarua on heritage buildings (Homestead)
 - Compliance with Heritage New Zealand requirements and Healthy Homes legislation (in order to let the property)

Opportunities for cost savings / additional revenue

- Market rentals on investment properties (which we already do)
- Transferring strategic properties out of the investment portfolio to allow these to be better managed for achieving other community outcomes
- Do we have the right investment return:
 - Do we need additional returns from ICHL?
 - Should Council be managing the investment property portfolio for commercial returns only?

Proposals for new or lifted level of service?

- None

Options for Council to consider

- Awarua Homestead – do we want to continue to offer it for residential lease?

Measuring performance – investment property

KPIs

Occupancy levels are greater than 95%

Total Gross Income over Total Asset Value

(2 measures – total portfolio & excl Strategic, Development and Vacant land)

New baseline return to be set

Net rate of return is greater than Council's planned cash deposit rate (2 measures – total portfolio & excl Strategic, Development and Vacant land)

New baseline return to be set

Measuring performance – other investments

KPIs

Net interest income is higher than budgeted

Dividend income is in line with budget

Asset plan

- The Investment Property asset plan is included within the wider property asset management plan

Risks/Challenges

Investment Property

- Loss of tenants
- Purchase of freehold interests by tenants reducing income
- Opportunities to investment endowment funds
- Desire to use properties for strategic or community purposes

ICHL

- Maximising a long term stable dividend
- Aligning to Council vision and objectives

Treasury

- Interest rate fluctuations
- Council borrowing not in line with plan