

RELEASE OF INFORMATION

The attached decision/information was previously included in a confidential agenda/minutes for the Tasman District Council meeting on 26 October 2023.

The reasons for withholding the information no longer apply, the information is therefore being made publicly available.

Moved Councillor Dowler/Councillor Butler

CN23-10-1

That the Tasman District Council

- 1. receives the Referral Report - Enterprise Activity Business Plan Summary report RCN23-10-14; and**
- 2. adopts the Enterprise Business Plan Summary, in Attachment 1 to the agenda report for inclusion in the 2024/2034 the Draft Long Term Plan; and**
- 3. notes final business plan financials may vary from those in Attachment 1 to the agenda report in the final 2024/2034 Long Term Plan, as a result of the Long Term plan consultation and related processes; and**
- 4. agrees that the report, attachments (after amendment if any), and the decision are released to the public within 30 days of the meeting.**

CARRIED

26 October 2023

8.2 REFERRAL REPORT - ENTERPRISE ACTIVITY BUSINESS PLAN SUMMARY - CONFIDENTIAL

Report To:	Tasman District Council
Meeting Date:	26 October 2023
Report Author:	Nick Chin, Enterprise Portfolio Manager
Report Authorisers:	Mike Drummond, Group Manager - Finance
Report Number:	RCN23-10-14

This report is confidential in accordance with the Local Government Official Information and Meetings Act 1987 (s7(2)(h)) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.

1. Purpose of the Report / Te Take mō te Pūrongo

- 1.1 This report recommends that the Council adopts the draft Enterprise Activity Business Plan Summary (**Attachment 1**) to meet the deadline for inclusion of these activities within the Draft 2024-2034 Long Term Plan.

2. Summary / Te Tuhinga Whakarāpoto

- 2.1 Future enterprise income streams and Council funding commitments were presented and discussed at an Enterprise Committee strategic workshop held on 14 June 2023.
- 2.2 A direction from the Committee requested business cases/plans information for existing (legacy) assets, noting possible new investments should be explored.
- 2.3 An Enterprise Activity Business Plan Summary was subsequently developed outlining an activity plan plus investment objectives and income distribution proposals for each of the Enterprise sub-activities. The summary was presented to the Enterprise Committee meeting on 16 August 2023.
- 2.4 Within the document, a schedule provides the proposed distribution and reinvestments based on the Distribution Rules and Principles, Appendix 1, and a draft financial schedule of proposed distributions, Appendix 2.
- 2.5 The Enterprise Committee made minor amendments to the draft Enterprise Activity Business Plan Summary at the August Committee meeting and resolved:

*FNCE23-08-1**That the Enterprise Committee*

1. *receives the Draft Enterprise Activity Business Plan Summary for the 2024-2034 Long Term Plan RFNCE23-08-2 and financial schedules; and*

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REFERRAL REPORT - ENTERPRISE ACTIVITY BUSINESS PLAN SUMMARY

2. *authorises the Chair of the Enterprise Committee and Enterprise Committee Members, Mr Kevin Armstrong and Councillor Christeen Mackenzie in conjunction with the Group Manager Finance, to make minor editorial amendments to the Enterprise Activity Business Plan Summary (including sub-activity plans and investment objects) in Attachment 1 to the agenda report, including any amendments made at the meeting, prior to it being recommended to Council for inclusion in the 2024/2034 the Long Term Plan; and*
 3. *notes the financials included in the Enterprise Activity Business Plan Summary and the planned distributions will be updated to reflect the latest estimated income and expenditure projections for the Enterprise activities when the 2024-2034 Long Term Plan financial estimates are finalised. CARRIED*
- 2.2 A meeting was held on 5 September 2023 with the Chair of the Enterprise Committee, Councillor Dowler and Enterprise Committee members Mr Kevin Armstrong and Councillor Christeen Mackenzie to address further minor editorial amendments.
 - 2.3 Since that meeting, staff have updated the draft Enterprise Activity Business Plan **Attachment 1** to ensure all information is current for the Council's consideration.
 - 2.4 There are three key changes in the approach presented in the Enterprise Activity Business Plan.
 - 2.4.1 There are distributions to offset Council expenditure in alignment with the recently adopted Investment Policy. This policy provides for an appropriate level of reinvestment in these activities along with distributions to reduce the pressure on rates. The distributions take into account the restricted use of some activity balances.
 - 2.4.2 There is an income equalisation reserve used within the forestry activity. This reserve is used to hold sufficient surpluses to be transferred back to the activity so it can maintain and smooth its distributions over the forestry cycle. This is important given the cyclical drop in forestry income forecast during the 2024/2034 Long Term Plan period.
 - 2.4.3 Surplus reinvestment funds from Enterprise Activities are now pooled through a reinvestment reserve. This reserve can then be used for new investments in the current activities or in new activities. The underlying strategy is to grow the Council's investments to provide increasing income to offset future rates requirements.
 - 2.5 This Enterprise Activity Business Plan is a key component supporting the Council's Draft 2024/2034 Long Term Plan and the Consultation document.
 - 2.6 The distribution plan includes:
 - 2.6.1 Withholding sufficient funds from the forestry activity to ensure an appropriate level of distributions can continue through the cyclical drop in forestry income forecast.
 - 2.6.2 Redirecting some surplus funds (Profits) from the Pōhara Top 10 Holiday Park to support Port Tarakohe recreation/public facilities.
 - 2.6.3 A proposed increase in funding to the Parks and Reserves activity.

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REFERRAL REPORT - ENTERPRISE ACTIVITY BUSINESS PLAN SUMMARY

- 2.6.4 Proposed funding from commercial property activities into community property.
- 2.7 These changes will reduce the pressure on rates funding requirements for these activities.
- 2.8 A separate report is being prepared for the November 2023 Council meeting on the future funding of Port Tarakohe and the related ongoing requirement for increases in port fees and charges at rates well above inflation. Indications are that the port will not be self-sustaining particularly with the investments now being made to support the marine farming industry, resilience, and the ongoing maintenance of the port. That is likely to lead to a need to provide rates funding to repay legacy debt and sustain the port going forward.

3. Recommendation/s / Ngā Tūtohunga**That the Tasman District Council**

- 1. **receives the Referral Report - Enterprise Activity Business Plan Summary report RCN23-10-14; and**
- 2. **adopts the Enterprise Business Plan Summary, in Attachment 1 to the agenda report for inclusion in the 2024/2034 the Draft Long Term Plan; and**
- 3. **notes final business plan financials may vary from those in Attachment 1 to the agenda report in the final 2024/2034 Long Term Plan, as a result of the Long Term plan consultation and related processes; and**
- 4. **agrees that the report, attachments (after amendment if any), and the decision are released to the public within 30 days of the meeting.**

4. Attachments / Tuhinga tāpiri

- 1. Enterprise Activity Business Plan Summary

Enterprise Activity Business Plan

Date: 8/08/2023

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The Wider Enterprise Portfolio

Our why

1. Council Enterprises covers the Council's commercial and semi-commercial activity. This involves the management of approximately 2,700 stocked hectares of commercial plantation forest, aerodromes in Motueka and Tākaka, a mixture of leased and managed holiday parks in Motueka, Pōhara, Collingwood and Murchison, the management of Port Tarohe and the management of various commercial property investments.

Why We Do It

2. The Council's ownership and management of commercial assets provide benefits to all users, via employment and development for the wider community. Their economic development and strategic importance are critical to all ratepayers and facility users. Income streams from commercial activities and investments provide the Council with additional income. This additional income reduces Council's reliance on rates to fund its activities.

Contribution to Community Outcomes

Community Outcomes		How Our Activity Contributes to the Community Outcome	Significant Negative Effects
Social Wellbeing	Our communities are healthy, safe, inclusive and resilient	<p>The Council's commercial assets provide a healthy and safe environment for users.</p> <p>The Council's commercial assets comply with health and safety standards.</p> <p>The Council's aerodromes and ports are resilience assets for communities dependent on limited road access.</p>	

Community Outcomes		How Our Activity Contributes to the Community Outcome	Significant Negative Effects
Social Wellbeing	Our urban and rural environments are people-friendly, well-planned, accessible and sustainably managed	<p>The Council’s commercial activities are managed to provide functional, pleasant and safe environments, to minimise any public health hazards and provide attractive facilities.</p> <p>Future commercial development is managed to minimise negative impacts on the environment, with sustainability as an expectation.</p> <p>The Council’s commercial assets are accessible to the whole community.</p>	<p>The development of Māpua Wharf impacts the local community due to increased pedestrian and vehicle traffic, with associated parking issues.</p> <p>Noise from the aerodrome and port users can have negative impacts on some members of the community.</p>
Social Wellbeing	Our communities have access to a range of social, cultural, educational and recreational facilities and activities	<p>The Council’s commercial activities provide spaces for social interaction and recreation.</p> <p>The Council’s commercial forests are managed to provide the optimal level of benefit to the community by balancing commercial and recreational use.</p>	<p>Recreational access to some of our commercial forests is restricted, and areas are closed during harvest operations and in high fire-risk circumstances.</p>

Community Outcomes		How Our Activity Contributes to the Community Outcome	Significant Negative Effects
Economic Wellbeing	Our region is supported by an innovative and sustainable economy	<p>The Council’s commercial activities provide an income stream to the Council to reduce its reliance on rates.</p> <p>The Council’s commercial activities provide jobs for the local community and help develop the local economy.</p> <p>The Council’s commercial activities involve a range of legacy assets. The activities provide recreational and resilience assets that are managed using commercial disciplines, to minimise the burden on ratepayers.</p> <p>The Council’s forestry assets provide a sustainable economic resource for the community and a carbon offset for Council activities.</p>	
Economic Wellbeing	Our infrastructure is efficient, resilient, cost effective and meets current and future needs	The Council’s commercial activities provide commercial and recreational facilities to meet the community needs at an affordable level.	
Environmental Wellbeing	Our unique natural environment is healthy, protected and sustainably managed	<p>The Council’s commercial forests have gained Forestry Stewardship Council certification to ensure that they are sustainably managed within internationally recognised guidelines.</p> <p>The Council’s forests store carbon to reduce the impact of climate change and meet obligations under climate change agreements.</p>	Harvest operations in certain areas increases the risk of sediment and storm water issues.

Community Outcomes		How Our Activity Contributes to the Community Outcome	Significant Negative Effects
Cultural Wellbeing	Our communities have opportunities to celebrate and explore their heritage, identity and creativity	<p>The Council's commercial assets include sites that have historical significance and are available for historical reference and exploration.</p> <p>Historic places and iwi interests are respected and protected through planned Council development.</p>	
	Our Council provides leadership and fosters partnerships including with iwi, fosters a regional perspective, and encourages community engagement	<p>The Council has established various user and advisory groups such as Motueka Aerodrome Advisory Group, Tākaka Aerodrome User Group and Port Tarkohe Advisory Group as a means of engaging with the community on the Council's commercial and semi-commercial activities.</p>	

Asset Diversification

3. Diversifying Council's income earning assets and investments is critical to Tasman District Council for several reasons:
 - a) Around 84% of the Enterprise activity is derived from Forestry (figure 1). Diversifying revenue will mitigate risk and flatten revenue cycles. By investing in non-forestry activities and in other asset classes such as equities, property and commodities, the Council reduces its exposure to a Forestry market downturn and harvest cycles. A diversification strategy will protect Council's financial stability and ensure the impact of potential losses is minimised.
 - b) The Return on Assets (ROA) metric is a financial indicator of an activity's efficiency in generating profits relative to its total assets. The ROA by activity is more equitable when compared with asset value (figure 2). By further spreading its investments, Council will be able to optimise its portfolios risk-return profile. If diversification is successful, it will lead to improved returns and reduced risks for the overall investment portfolio.
 - c) Diversifying assets will help enhance and stabilise long-term returns. Council's different activities tend to perform differently over time. Forestry, in particular, is cyclical, and we anticipate a significant drop in revenue from 2027 reflecting harvest cycles (figure 5). By holding a mix of assets, Council may benefit from a positive performance even if Forestry is underperforming. This balanced approach will lead to more consistent returns in the long term.
4. By diversifying, Council should be better able to manage risk, pursue growth opportunities and maintain financial stability.
5. Commercial opportunities are difficult, if not impossible to anticipate particularly in a dynamic market environment. Enterprise management and governance will need to be more nimble and can make swift decisions to take advantage of commercial opportunities as they arise.

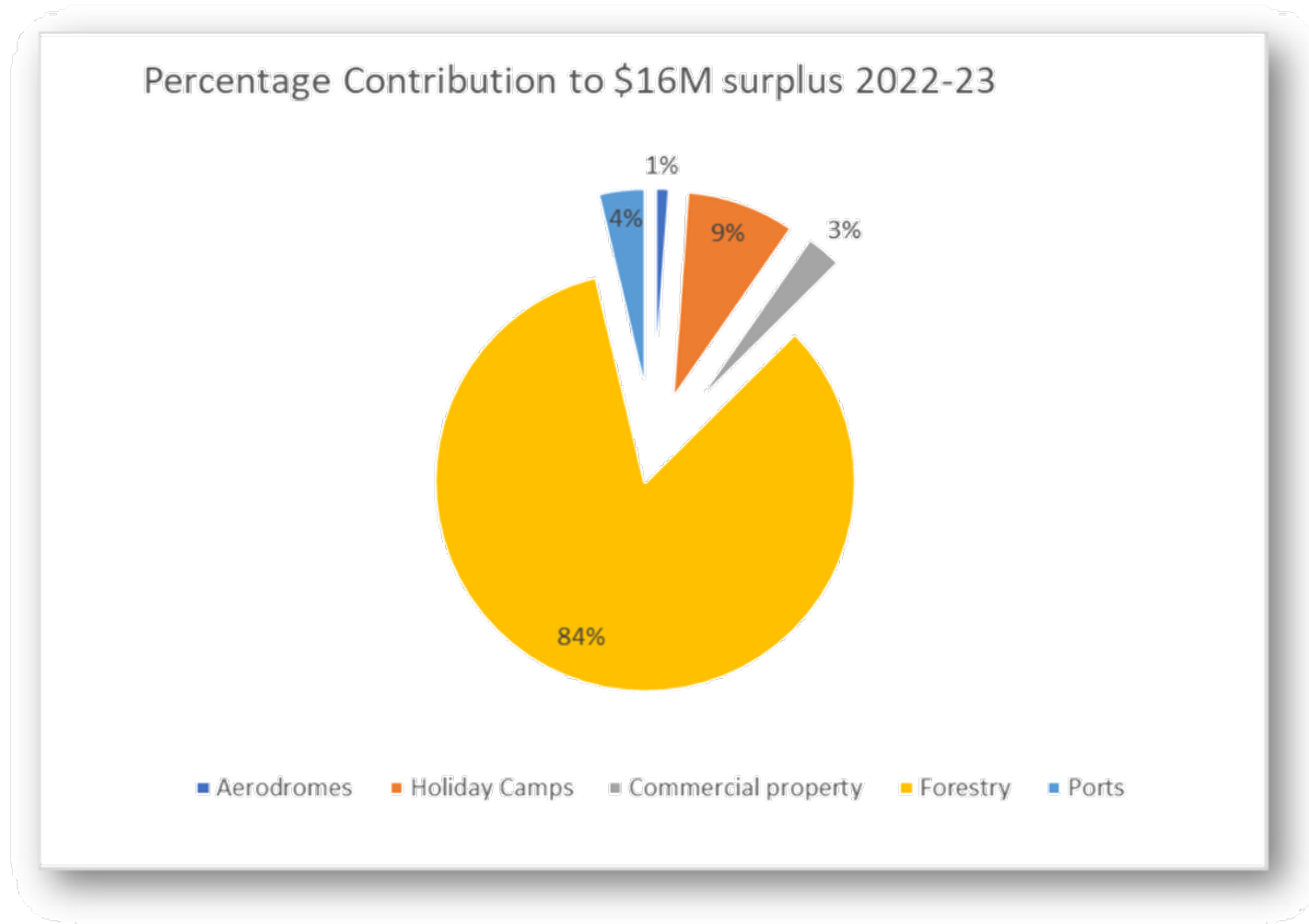


Figure 1 EBIDTA contribution by activity 2022-23

Portfolio Financials 2022-23

Enterprise 2022-23 Metrics as at 30 June 2023	Total Asset Value	Land	Improvements & Other Capital Assets	Activity Surplus/(Deficit)	ROA (%)	Loans	Income	Expenses (excl Depreciation & Interest)	Depreciation and Interest	Net Profit %	Notes
Forests			<i>Crop Value</i>								
	23,478,700	20,456,000	3,022,700		36%	-	31,698,734	23,181,152		27%	
Plus Loan to Motueka Holiday Park	1,050,000					1,050,000 **					
Surplus Committed to WCD	18,750,000					18,750,000					
Available Activity Surplus	6,265,575					6,265,575					
Total	49,544,275	\$20,456,000	\$3,022,700			\$26,065,575	\$31,698,734	\$23,181,152			Unencumbered ETS Credits \$4,159,480
Port Tarakohe	\$8,474,155	\$1,890,000	\$6,584,155	\$(1,953,670)	3%	\$6,437,276	\$902,607	\$680,331	454,855	25%	All equity arises from port revaluation
Motueka Harbour & Coastal Works Reserve Fund (MHCW)	4,225,165	2,914,000	127,707	1,183,458	1%	-	130,411	69,430	3,567	47%	
Internal Loan Harbour Master	550,000					550,000 ***					
Internal Loan Motueka Holiday Park	1,000,000					1,000,000 **					
Total	\$5,775,165	\$2,914,000	\$127,707	\$1,183,458		\$1,550,000	\$130,411	\$69,430	\$3,567		
Commercial Property^a											
Aranui Road / Tahiri St - Mapua	5,443,000										
Mapua Wharf Precinct	4,200,000										
183 Queen St Armadillo's	2,200,000										
Total	\$11,843,000			\$19,616	3%	\$2,729,727	\$700,410	\$368,464	99,194	47%	
Holiday Parks											
Motueka	7,102,369	1,902,069	5,200,300		6%	2,373,653 **	563,947	125,882	244,395	78%	Incl residential rental income \$25k
Pohara	7,167,100	4,136,000	3,031,100		7%	701,271	595,901	109,026	157,000	82%	
Murchison	1,135,300	-	1,135,300		6%	305,318	117,364	51,399	58,024	56%	
Collingwood	2,271,600	1,102,000	1,169,600		7%	495,073	389,165	225,991	65,240	42%	
General Holiday Parks	-	-	21,665		-	-	50,000	122,333	173,495		
Total	\$17,676,369	\$7,140,069	\$10,557,965	\$202,992	6%	3,875,316	\$1,616,377	\$634,631	\$698,154	61%	
Aerodromes											
Motueka	2,873,603	2,504,000	369,603	166,286	1%	-	187,694	162,780	24,914	13%	
Takaka	2,957,019	1,824,000	1,133,019	47,122	2%	284,981	112,754	49,700	63,054	56%	Incl residential rental income \$14k
Total	\$5,830,622	\$4,328,000	\$1,502,622	\$213,408	2%	\$284,981	\$300,448	\$212,481	87,968	29%	

^a Activity Surplus, Loans, Income, Expense and Depreciation show as one figure on Total line

** \$1.05m of Forestry Activity Surplus is internal loan to Motueka Holiday Parks & is reflected in Motueka Holiday Park's Liabilities of \$2.5m

*** \$1.5m of MHCW surplus is advance to Motueka Holiday Park and Motueka Harbour Master

Portfolio Financial Trends by Activity

- 6. Based on the past five years and assuming little change, holiday camp and Port Tarakohe revenues are expected to grow (figure 3). Aerodrome revenue will remain flat. Without scale commercial property revenue is vulnerable to market conditions, management overhead costs, expenses and maintenance costs.
- 7. Despite historical profits, net forestry revenue will reduce to a deficit in 2027 and 2033, reflecting the lows of the harvest cycles (figure 4).

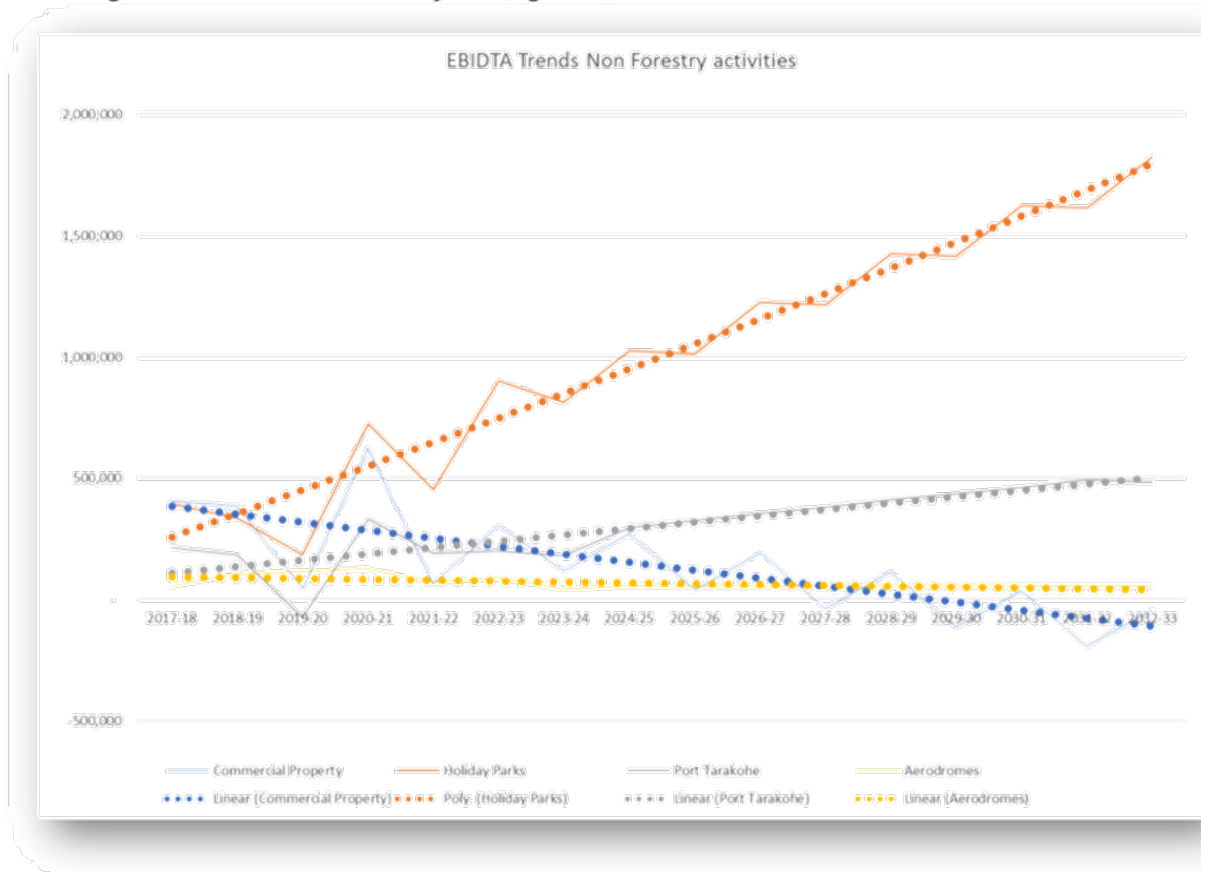


Figure 2 EBITDA Trends – Non-Forestry

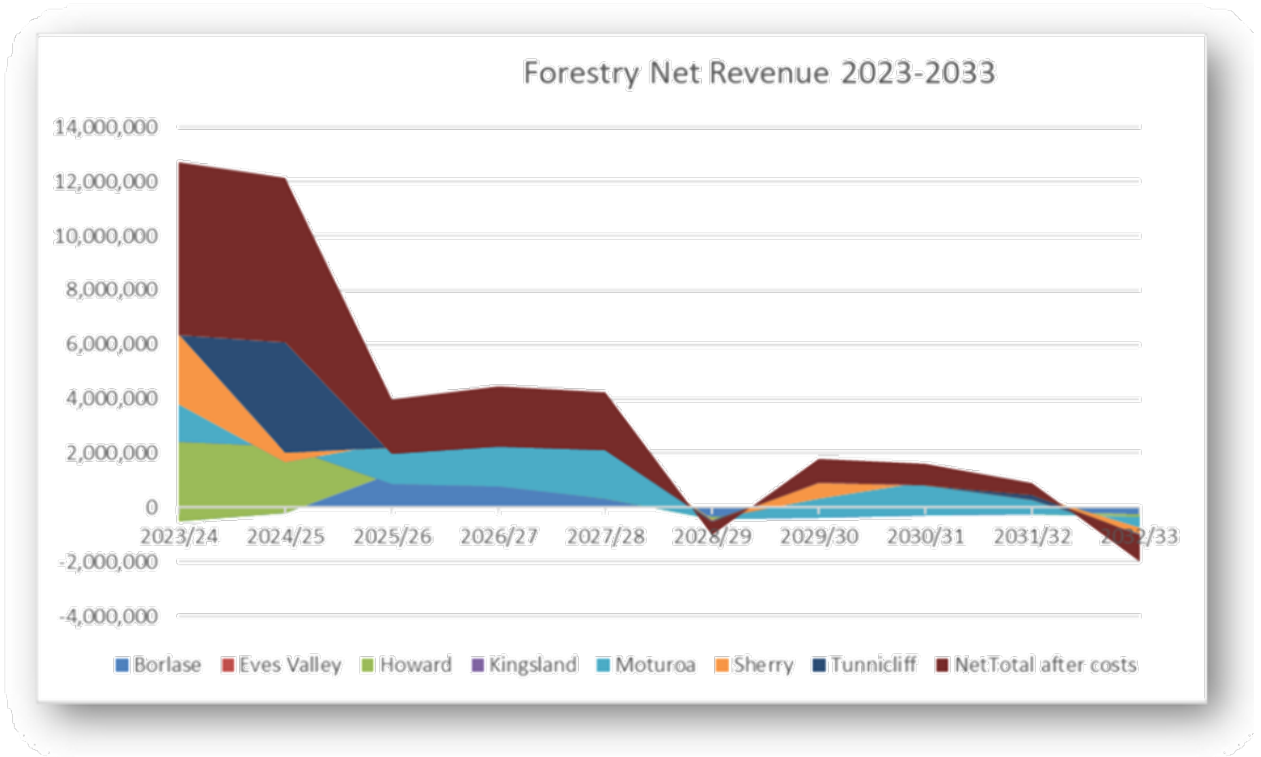


Figure 3 Forestry projected net revenue after costs

Investment Policy

8. In considering existing and proposed new investments the Enterprise activity is guided by Council's Investment Policy.
9. Council generally holds most investments for strategic reasons where there is environmental, social, cultural or governance benefit accruing from the investment activity. Generating a commercial return on strategic investments, while important, is considered a secondary objective. Investments and associated risks are monitored and managed, and regularly reported to Council.
10. The Council's general policy on investments is that:
 - a) The Council may hold financial, property, forestry, and equity investments if there are strategic, commercial, economic or other valid reasons (eg where it is the most appropriate way to administer or support a Council function).
 - b) The Council will keep under review its approach to all major investments and the credit rating of approved financial institutions.
 - c) The Council will review its policies on holding investments at least once every three years.
11. Council may determine at any time investments to be excluded or divested from the investment portfolio. Managers will be informed of such exclusions or divestment requirements and Council will monitor compliance.

New investments

12. Except for financial investments, new investments are acquired if an opportunity arises and approval is given by Council, based on advice and recommendations from Council officers and/or the Enterprise Committee. Before approving any new investments, Council gives due consideration to the contribution the investment will make in fulfilling Council's strategic objectives, and the financial risks of (and returns from) owning the investment.
13. The authority to acquire financial investments is delegated to the Group Manager Finance.

Investment mix

14. Diversification - Best-practice risk management policies typically recommend a globally diversified portfolio. Diversification reduces the impact of unsystematic risk. It is important to invest across a range of asset classes and also a range of investments within individual asset classes to achieve the benefits of portfolio diversification. Council currently (2023) has a concentration of lower performing legacy assets and investments under the oversight of the Enterprise Committee.

15. It is intended that through ongoing reinvestment the concentration risk in the current portfolio will be reduced and diversification increased. The Investment Strategy is also to grow the overall investment portfolio to reduce the proportion of lower performing legacy assets and investments within the portfolio.

Return expectations and distributions

16. In order that the long-term goal of reducing the burden on ratepayers is achieved then both of the following long term return measures will be employed (except where assets and investments cannot be readily disposed of (eg some legacy assets)). Assets and investments should generate a total return over the long term (at least five years and generally 10 years) that;
 - a) Exceeds the long-term borrowing cost of Council (averaged over five and 10 years).
 - b) Exceeds the general rate of Council rate increases exclusive of growth (averaged over five and 10 years).
17. In determining any distributions strong consideration will be given to level of reinvestment necessary to maintain the real capital value of existing investments.
18. The long-term goal of the Investments assigned to the Enterprise Committee are to retain and reinvest 75% of the net income generated and release 25% of net income generated to offset rates or other Council expenditure each year.
19. Dividends received from Council's investment in Infrastructure Holdings Ltd (Port Nelson and Nelson Airport) are primarily assigned to off-set Council costs across all activities.
20. Dividends received from the LGFA are to be used by the Treasury activity to offset Council borrowing costs.

Re-Investment Fund

21. In order to separate funds to be re-invested from existing activity balances. Surplus funds for reinvestment arising from Enterprise activities are transferred into a reserve for re-investment.
22. Where activities have very cyclical income streams eg forestry part of any surpluses is transferred into an income equalisation reserve. The reserve balance is utilised to ensure there is a smoothing of distributions over time.
23. Revenue from forests will be reduced from 2025 affecting an ability to contribute to offsetting council costs. An Income equalisation reserve will be set-up to mitigate this.
24. Financial instruments like equity can provide a steady stream of income which can be used to fund public projects or services. Similarly investing in local businesses can stimulate economic growth and job creation within Tasman.
25. The investment of funds held in the Reinvestment Fund will be in accordance with the Council's Investment Policy and be based on recommendations from the Enterprise Committee.

Available funds for reinvestment

26. Port Tarkohe will be cashflow negative for the foreseeable future due to the amount of debt (c\$16M).
27. The contribution by other activities (appendix 2) is estimated as \$24M over the next 10 years A further \$10M surplus ETS funds available for investment. The value of the unencumbered ETS credits can vary wildly.
28. Enterprise distribution commitments to parks, the proposed Waimea Community Dam loan repayments and rates is equivalent to c\$2M pa over the next 10 years.

Capital expenditure – The investment decision

29. The investment decision requires the evaluation of projects that are expected to generate income for the Council over a number of years.
30. Every project must earn at least the required rate of return in order to add value to the Portfolio.
31. Cashflows for holiday parks, loans and rentals (eg leases, berths and rent) are easy to assess. Cashflows for mussels, rock and timber revenues carry more risk. Projections based on previous five years' revenue will be utilised as a basis.

32. Capital expenditure evaluation will involve the following:
- a) Alignment with Council investment objectives
 - b) Payback period. The amount of time to recover the cash outlay.
 - c) Discounted cash flow. Evaluation will be based on the incremental future cash flows the investment is expected to generate discounted by the required rate of return.
 - d) Internal rate of return.
 - e) Synergies with other Council projects/activities.
 - f) Contribution to the wider economy in Tasman/Nelson.

Reporting Against Industry Standards

33. To provide Council and ratepayers with assurance that Enterprise assets are performing then each asset class will be reported as an asset class performance against industry published metrics. The reporting will include both financial and non-financial measures to show overall performance of the assets and their management.

34. A summary of the type of measures for each of the classes is as follows:

1. Forestry:

- a. Net yield
- b. Log Prices
- c. Harvesting Costs
- d. Average Age of Trees

2. Commercial Property:

- a. Net Yield
- b. Change in Valuation
- c. Vacancy Rates
- d. Weighted Average Lease Terms
- e. Tenant Satisfaction Survey Results

3. Holiday Parks:

- a. Occupancy Rates
- b. Future Bookings
- c. New Visitor/ Returning Visitor Numbers
- d. Domestic/International Split
- e. Customer Satisfaction Survey

4. Port Tarakohe

- a. Revenue: Total income from Port operations
- b. Operating expenses
- c. Net profit

- d. Return on Investment (ROI). The percentage of return on capital invested in the Port.
- e. Gross Operating Margin (Revenue/Revenue minus costs) indicating profitability of Port operations.
- f. Earnings before Interest, Taxes, Depreciation and Amortisation (EBIDTA)
- g. Debt to equity ratio
- h. Mussel throughput (tonnes)
- i. Average revenue per berthage indicating the effectiveness of berthage revenue management.

5. Financial Investments

- a. Return on Investment (ROI)
- b. Annualised returns (average annual returns by investment)
- c. Risk-adjusted return
- d. Net Present Value (NPV).
- e. Internal Rate of Return (IRR)
- f. Cash flow analysis
- g. Dividend yield. Annual dividend income relative to market price. Future assets aligned with strategy.

Enterprise Objectives

35. Goals for 2023/24:

- a) Completion of Port Tarakohe stage one development project
- b) Complete the shared office project at the Takaka Service Centre site
- c) Develop two business cases annually
- d) Seek out property opportunities and synergies with other Council activities to develop Council-owned land.
- e) Review Port Tarakohe charges mechanism and options to restructure debt.

36. Goals for the next three years

- a) Re-write the development plan for Motueka and Takaka aerodromes.
- b) Investigate a replacement recreational marina at Port Tarakohe.
- c) Seek to manage Council property assets.
- d) Investigate the options for implementing a CCO structure for Port Tarakohe

37. Goals for the next 10 years

- a) Ensure there is an adequate provision for Enterprise distribution commitments from 2027 -2033 (refer to figure 5).

Individual Activity Management Plans

A. Commercial Property

38. The commercial real estate market in New Zealand provides longer term investment opportunities underpinned by contracted revenue. Longer term contracts, higher capital investment, financing challenges and other barriers to entry results in commercial real estate being limited to a small pool of investors. Tasman District Council is well positioned to participate in this market which fits within both the strategic goals and investment parameters set out in the Investment Policy.
39. Commercial real estate can be further broken down into sub-markets of: Office, Industrial, Retail, Retirement and Tourism. These submarkets present different opportunities and risks and need to be aligned with an overall Investment Strategy, coupled with the Council's non-financial reasons for investing.
40. The current portfolio of commercial real estate is predominately within the hospitality and retail sector. These submarkets tend to be more volatile and subject to economic pressures than the larger industrial and office markets. Regional property markets tend to be more volatile due to the smaller pool of participants on both the supply and demand side.
41. Historically, the makeup of the Enterprise Portfolio is due to a mix of endowment assets and assets that form a response to a legacy issue. Any new investments will be based upon individual-specific investment decisions underpinned by the wider Investment Strategy.

Property - Proposed Targeted Submarkets

42. The Office and Industrial markets are both sectors of the commercial property that meet the investment criteria set out in the Investment Policy. These two markets provide accommodation necessary for local business to thrive and expand. All investments should be supported by reasonable length lease agreements with ideally strong reputable tenants.
43. The Nelson/Tasman region has a shortage of prime grade office accommodation. Prime grade office accommodation is based upon the age of the building, seismic rating, open plan design, quality air conditioning, large floor plates and quality fitout. Transportation access to the building along with adequate car parking are both areas that are not adequately served across Nelson/Tasman.
44. The supply side is so restricted that larger organisations expend a large amount of time and money comparing building new versus fitting out older buildings. The Ministry of Education has been seeking new adequate premises for several years and has considered relocation outside Nelson City, new-build and fit out of older buildings. Kainga Ora has recently spent a significant budget to upgrade leased offices. Nelson City Council, Tasman District Council and the Te Whatu Ora are all currently

considering office accommodation options.

45. Investment risk tends to be lower with office buildings over industrial. An office complex typically has several tenants, therefore, the business failure of one tenant has less impact. Office accommodation has a generic wide appeal and can attract tenants from different sectors of the economy. Industrial properties tend to be more bespoke with reliance on a smaller number of tenants and can also be industry-specific, for example, an abattoir. Any proposed industrial investments will be constrained to generic industrial buildings for example warehousing.
46. Council developments including the Motueka Pool and Richmond Head Office offer an opportunity to meet Council objectives whilst adhering to Enterprise requirements.

Risks - Underlying issues with property disposal

47. The Tasman District Council owns large amounts of undeveloped land both in prime and outlying areas. It is difficult for Council to sell or divest land due to three key constraints. Developing suitable land may be a better alternative.
 - a) **Application of s.40 Public Works Act 1981.** This provision relates to circumstances where land that it held for a purpose under the Public Works Act 1981 may be disposed to the former owner if it is no longer required for the original work. It seems all property owned by Council is covered.
 - b) **Wakatu and Consultation Process on Spain Award Area.** In very over-simplified language, Wākatu Ltd court challenge on behalf of the Iwi they represent relates to the Crown's failure to ensure that the land tenths promised in the Nelson area by the NZ company were actually put into effect. The Courts are still active in deciding the outcome of Wākatu claim although the Crown may have signalled that there is validity in the claim.

As an interim measure, the Crown has placed an effective embargo on the sale of land owned by the Crown in the Spain Award Area which includes Nelson City, Richmond, Motueka, Wakefield, and Brightwater and much of the rural land between.

- c) **Gifting.** In the usual course of events, public bodies would usually have policies to deal with gifted lands when they are no longer required for the original purpose. The Crown for example has a "Gifted Land Policy" which in brief provides on moral grounds for land to be offered back to the donor or the testamentary successors of the owner at nil consideration.
On the basis that the Council might follow a Crown-like process, it would need to create an appropriation of funds to reimburse the asset value within the Council's asset register. Should the successors to the donor decline to accept regifting then Council would be able to sell the land subject to ss140 and 141 of the Local Government Act 2002.

Property Activity Plan and Investment Objectives

48. Years 1-3 (2024-27) \$5M pa investment in office and industrial accommodation with a minimum of a 5.5% pa yield.
49. Years 4-10 (2027-2033) \$10M pa investment in office and industrial accommodation with a minimum of a 5.5% pa yield.
50. Focus on high-value tenants, with risks spread over the long term and a balanced portfolio.

B. Forestry

Background, political and commercial environment

51. Forestry is considered a good investment in Tasman for the following reasons:
- a) Track record: The Tasman District Council's forestry activity has been a significant contributor over many years.
 - b) Abundant Natural Resources: The Tasman Region has large areas of land suitable for forestry. The region's climate and topography are favourable for growing exotic species (primarily pine), which is in high demand for timber and pulp production.
 - c) Growing Global Demand: The global demand for timber and wood products has been increasing steadily. As populations grow and economies develop, there is a growing need for wood in construction, furniture, packaging, and other industries. Tasman's largest markets are China and the New Zealand domestic market.
 - d) Renewable and Sustainable Resource: Forestry is a renewable resource as trees can be replanted and harvested in cycles. Sustainable forestry practices are encouraged in Tasman, ensuring the long-term viability of the industry while also contributing positively to the environment. In addition, when log prices are low, harvests can be delayed until log prices recover.
 - e) Favourable Investment Environment: The New Zealand Government has been supportive of the forestry sector, offering incentives and grants for afforestation and sustainable practices.
 - f) Diversification of Investments: Forestry is the most valuable activity within Tasman District Council's investment portfolio. Further forest investment will provide location/class diversification and potential hedging against other investments. It can be less susceptible to market fluctuations and economic cycles compared to other activities such as property.
 - g) Carbon Offsetting opportunities: Forestry provides opportunities for carbon offsetting and carbon trading. Trees act as carbon sinks, absorbing carbon dioxide from the atmosphere, which can be valuable for companies or individuals looking to offset their carbon emissions. In the last two years, surplus (unencumbered) carbon credits have generated \$10M in credits for Tasman.
 - h) Strong Export Market: The Tasman District Council has significant export market for timber and wood products to China with shipment through the local Port Nelson.

- i) Positive Long-Term Outlook: Due to the nature of forestry investment and the time it takes for trees to mature, it is often considered a long-term investment. However, the long-term outlook for the forestry industry in New Zealand appears positive, given the global demand and sustainable practices in place.

Risks

52. Risks include fluctuations in timber prices, weather-related challenges, government policy (for example Carbon) and potential market shifts.
53. Insurance: The Tasman Council currently pays \$300K PA for capped insurance of \$5M annually. At this time, there is only one insurer for forestry.
54. The council's most valuable forest, Rabbit Island/Moturoa, is at risk of inundation within the next 50 years.
55. Forest revenue will not meet contribution commitments to the Council from 2025 to c2030. A reinvestment fund has been set up to mitigate this.

Forest Activity Plan and Investment Objectives

56. Acquire more forest either as an acquisition of waste /low productivity land or ready planted.
57. Investigate carbon (ETS) opportunities.
58. Leverage opportunities presented by PF Olsen as forest managers and advisors.
59. Budget \$1.5M pa (2.5% value of forests).

C. Holiday Parks

Background and commercial environment

60. The Tasman District Council leases three holiday parks and operates one with a management contract. Generally, these are profitable although requiring significant ongoing re-investment to meet maintenance requirements and customer demands.
61. Due to their location, all holiday parks except for Riverside Murchison will be subject to inundation in the next 50 years.

Holiday Parks Activity Plan and investment objectives

62. More roofed accommodation at Pohara and Motueka.
63. Renew cabins and facilities at Collingwood and Riverside.
64. Consider an investment in a new standalone holiday camp facility preferably in a coastal location

D. Aerodromes

Background, regulatory and commercial environment

65. The Tasman District Council owns two aerodromes, in Takaka and Motueka. Both aerodromes are regarded as strategic assets.
66. Urban development and expansion have affected Motueka Aerodrome, in particular.

Aerodrome Activity Plan and investment objectives

67. Development plans for both aerodromes as part of the 2025 review of management plans.
68. Commercial opportunities at Motueka and Takaka Aerodrome
69. Investigate hangar opportunities
70. Aviation strategy for Motueka Aerodrome.

E. Port Tarakohe

Background

Port Tarakohe is a publicly owned infrastructure asset located near Pohara, in the Tasman District at the top of the South Island. It is the only all-tide, all-weather, deep-water port in the Tasman District that is commercially and practicably available to the Golden Bay and Tasman Bay marine farms.

The Top of the South (Te Taihū) is the aquaculture centre of the country, providing 80% of all marine farming production. Significant growth is forecast in the aquaculture sector, including strong iwi aspirations for aquaculture development, but growth is constrained by the lack of fit-for-purpose shore-based infrastructure. The consenting of new mussel farming space in Tasman Bay and Golden Bay has introduced an urgent need to improve critical port infrastructure at Port Tarakohe. The facility has reached a point where imminent growth of aquaculture, health and safety risks, food safety risks, operational inefficiencies, and lack of resilience to climate change threaten the ability for the Port to remain functional.

Port Tarakohe was originally established over 100 years ago to ship bulk cement produced by the Golden Bay Cement Company at the adjacent limestone quarry. The Council purchased the port assets following the closure of the cement works in 1994. Currently, the Port has a sixty-berth marina which caters for both commercial and recreational vessels and a concrete wharf dating from 1977. A 100-year-old timber wharf has been recently dismantled due to its deteriorated state and concomitant health and safety risks.

The Port is currently operating at a loss, with Council in the process of increasing charges overtime to return the Port to a profitable position and service current debt levels. Fees and charges for the Port are reviewed annually by Council and set under the provisions of the Local Government Act. The allocation of costs to different users (therefore the charges) follows a model developed by Council.

Significant ongoing investment is required in the port. It is difficult to fund the borrowing for developments given the size of the port and the lack of other income streams for the port (eg property or logistics). The use of the port by both recreational and commercial users does give rise to tension over use and respective charges. These tensions are managed by Council.



Figure 4 Council approved development 2019.

Port Activity Plan and investment objectives

71. Investigate removing the roadblocks to a CCO structure, to introduce equity/reduce debt.
72. Investigate options to reduce and/or restructure debt.
73. Review charging model including weighbridge vs line charges.
74. Investigate opportunities for commercial property development.
75. Marina development investigation.

F. Financial Investments

76. The Tasman District Council does not currently invest in financial instruments.

Activity Plan and Investment Objectives

77. Self-insurance investment fund to self-insure to current levels.

78. Establish a reinvestment fund with the Portfolio Manager.

79. Actively manage ETS investments and dividends.

Appendix 1

Distribution Rules and Principles

Forestry

Rules

Activity will split surpluses up to 75% transferred to the Reinvestment Reserve Fund for reinvestment and 25% may be used to offset General Rates or other Council expenditure.

Planned use for Surpluses

Several committed distributions are proposed to be made from this activity. This activity sees a decline in surpluses brought on by cyclic nature of the activity, therefore, a transfer to an Equalization Reserve Account is proposed to happen in 2023/24. This will be used as surpluses decline in future years. This Equalization Reserve will be used to cover the already committed distributions.

After allowing for the Equalization Reserve, a balance remains to be transferred to the Investment Fund Reserve.

Plan for capital spend

Capital expenditure resulting in growth for this activity, is proposed to be 60% loan funded with the remaining being paid for by the retained activity surpluses or via the Reinvestment Reserve Fund.

Camping Grounds

Rules

Due to the restrictions under the Reserves Act 19777 any activity surpluses will be applied within parks and reserves across the District.

Planned use for Surpluses.

Holiday parks excluding Pohara Holiday Park

There are surpluses available to be reinvested or used to offset expenditure in the Parks and reserves area

Pohara Holiday Park

Available surpluses are required to be used within reserves land. Its recommended they be used at Port Tarakohe (Local Purpose Reserve) provided application has a strong link to recreation costs/developments at the Port. This would reduce the need for general rates funding to cover those port costs.

Plan for capital spend

Capital spend which is renewal by nature, will be funded from the Activity surpluses.

Capital expenditure that is related to growth for this activity, will be 60% loan funded and remaining being paid for by the use of activity surpluses and/or from The Reinvestment Reserve Fund.

Port Tarakohe

Rules

Activity surpluses to be applied within Port Tarakohe or other reserves land.

Planned use for Surpluses.

This is not a profitable activity and at this point no surpluses are forecast within the activity.

Plan for capital spend

Capital spends which is renewal by nature, will be loan funded.

Capital expenditure which is linked to recreation activities may be partly funded from surpluses from the Pohara Holiday Park.

Capital expenditure that is related to growth for this activity, would normally be 60% loan funded and remaining being paid for by activity surpluses. Given the lack of activity surpluses it's expected capital expenditure will be 100% loan funded for the foreseeable future.

Aerodromes

Rules

Activity able to split surpluses to 75% for Reinvestment and 25% may be used to offset General rates or other council expenditure.

Planned use for Surpluses

This is not a highly profitable activity and at this point the small surpluses are to be kept within the activity.

Takaka Aerodrome will continue to require general rates or other funding to offset its operational deficits.

Plan for capital spend.

Capital spend which is renewal by nature for example Runway reseal renewals, will be paid from Activity surpluses where available.

Capital expenditure that will results in growth for this activity, for example Hanger developments will be 60% loan funded and remaining being paid for by this activity surpluses if available or may be funded through the Reinvestment Reserve Fund.

Commercial Property

Rules

Activity able to split surpluses to 75% for reinvestment and 25% may be used to offset General rates or other Council expenditure.

Planned use for Surpluses

There are surpluses available to be reinvested to offset rates or Council expenditure. It's recommended that surpluses are used to offset property costs within the Community Infrastructure activity.

Plan for capital spend

Capital spend which is renewal by nature, will be paid from Activity surpluses, unless it is large in which case it will be partly loan funded.

Capital expenditure that will results in growth for this activity, will be 60% loan funded and the remaining being funded the activity surpluses if available or may be funded through the the Reinvestment Reserve Fund..

Reinvestment Reserve fund

Rules

Activity able to split surpluses to 75% for further reinvestment and 25% may be used to offset General rates or other Council expenditure.

Planned use for Surpluses

Available to be reinvested or to offset rates or Council expenditure.

Plan for capital spend

Funds from this reserve will be reinvested to increase and diversify the portfolio. Funds may also be used to support investments being made from other Enterprise activities.

Appendix 2

SWOT Analyses

Commercial Property

Tasman District Council's strengths, weaknesses, opportunities, and threats of Commercial Property as an asset class for future investment.

Strengths

- *Land component is lower cost than market. Council owns undercapitalised land in fee simple.*
- *Higher value investments provide greater return & less management.*
- *Council debt funding costs are lower than private markets.*
- *Strong lease documentation and ratchet clauses provide downturn protection.*
- *An established Insurance markets. It's easier getting insurance for property than forestry.*
- *Commercial real estate performs well in an inflationary environment.*
- *Council has no liquidity issues and can make unconditional offers.*

Weaknesses

- *Inability to leverage debt positions on individual investments. Debt cannot be used to offset income.*
- *Historically not nimble to react to opportunities.*
- *Current portfolio value is insignificant compared to the level of forestry investment.*
- *Existing property portfolio is minor and overexposed to hospitality.*
- *Property portfolio size too small to leverage overheads effectively.*
- *Internal Council silos (other activities) have significant property holdings which are managed in isolation and not leveraged.*
- *There is a very high threshold for Council to sell any property due to the Public Works Act requirements.*
- *Political optics and considerations may affect business decisions.*
- *\$250M Council net debt cap may constrain development or purchases.*
- *No strategic vision for all of the Council properties.*
- *No strategic vision for regional development and Council's role in supporting this.*

Opportunities

- *Strong funding position to realise counter-cyclical opportunities within the market. Council can take advantage of opportunities when others cannot eg in an economic downturn.*
- *Underutilised existing land holdings, including properties identified for retail development.*
- *Large growth is required to diversify and balance forestry.*

- *Council is regarded as a prudent and competent investor supporting the local economy and reducing the rates burden.*
- *Strategic developments with synergies for Council aspirations for business and low-cost housing.*
- *CCO structure would provide more commercial acumen and discipline.*
- *A lack of scale is limiting growing returns.*

Threats

- *Community appetite for Ratepayer-funded organisation competing with private entities.*
- *Staffing and expertise required to grow with portfolio size.*
- *Investment decisions not independent of politics, for example, forestry expansion.*
- *Local government changes.*
- *Council withdrawing funds (cash stripping) to top up rates or meeting politically expedient requirements.*

SWOT Analysis – Forestry

Tasman District Council's strengths, weaknesses, opportunities, and threats of Forestry as an asset class for future investment.

Strengths

- *Decent size portfolio with good returns for the last five years.*
- *Wider employment and manufacturing benefits to the region.*
- *Well managed estate with professional management and Council oversight.*
- *Carbon (ETS) revenue \$10M*
- *Close to Ports and good geography*
- *Synergies with wider wastewater treatment (Moturoa).*
- *Low exposure to single forest risk of events.*
- *Ability to manage and time harvests depending on log prices and currency fluctuations.*
- *This activity carries no debt.*

Weaknesses

- *90% of Enterprise revenue is derived from forestry.*
- *Dependent on an external manager.*
- *\$250M Council net debt cap may constrain development or purchases.*
- *No strategic vision for Forestry. There are conflicting views within the Council on the benefits and place of production forestry.*
- *Cyclic harvesting means revenue from 2027-30 will be minimal.*
- *No strategic vision for regional development and Council's role in supporting this.*
- *The benefits of forestry are not well understood by ratepayers and staff.*
- *Inundation is expected to affect Moturoa within the next 40 years. This is Council's most valuable forest.*
- *Monoculture risks for example pests (eg gypsy moth) and climate change.*
- *Lack of certainty around the ETS ie Carbon trading.*
- *Significant investments in unencumbered ETS credits with no strategic plan.*
- *Increasing insurance costs with reducing risk coverage.*
- *Fluctuating log prices make financial forecasting difficult despite risk mitigation (local and China).*
- *Potential changes to ETS trading and incentives.*

Opportunities

- *Strong funding position to counter-cyclical harvest/revenue. Council can take advantage of opportunities when others cannot.*
- *Ability to leverage asset value to expand the portfolio.*
- *Diversify markets, end-use products and help develop new business in the region.*
- *Improved environmental outcomes through better utilisation of waste products.*

- *Trial alternative species particularly if ETS trading rules change.*
- *Forestry opportunities outside the Tasman region, possibly in partnership with other Council's and entities.*
- *Improved technology reducing costs and risk.*
- *Self-insurance. Tasman District Council assumes the financial risk of potential losses rather than purchasing insurance coverage. Offers cost savings but also requires a higher level of financial responsibility.*

Threats

- *Climate change. Fire, pests and sea inundation (Moturoa/Rabbit Island).*
- *Weather events affecting down-stream and downhill communities and water quality.*
- *Investment decisions made with a short-term and non-strategic perspective.*
- *Political appetite for exotic forestry deteriorates further.*
- *Council withdrawing forest non-distributed revenues or forests to top up rates or meet politically expedient objectives.*
- *Conflicts with increasing recreational use.*
- *Investment decisions are influenced by political expediency.*

SWOT analysis – Holiday Parks

Tasman District Council's strengths, weaknesses, opportunities, and threats of Holiday Parks as an asset class for future investment.

Strengths

- *Good (popular) locations*
- *Good financials with the exception of Collingwood due to its small size.*
- *Little competition locally (excluding Murchison)*
- *Most holiday parks are managed by lessees in a revenue sharing arrangement.*
- *Ongoing regular reinvestment in leased properties*

Weaknesses

- *Balancing a demand for improvements with the preservation of reserve land and available budget.*
- *Income is very seasonal*
- *Inadequate condition surveys to base maintenance and capital budgets.*
- *Deferred maintenance at Collingwood*
- *Potential claim for rent on part of the Collingwood Holiday Park*
- *No strategic vision for all of the Council Holiday Parks.*
- *Poorly worded lease contract terminology.*
- *Located on Reserve land and hence subject to Reserves Act 1977 restrictions.*
- *Restrictions on the use of activity surpluses.*

Opportunities

- *Further development following a business case.*

Threats

- *Ratepayer-funded organisation competing with private entities.*
- *Potentially seen as a non-core activity.*
- *Coastal inundation (Motueka, Collingwood and Pohara)*
- *Archaeological and culturally sensitive locations at Collingwood and Pohara.*
- *Potential for overinvestment in light of likely climate change impacts*

SWOT analysis – Aerodromes

Tasman District Council's strengths, weaknesses, opportunities, and threats of Aerodromes as an asset class for future investment.

Strengths

- *Regional significance.*
- *Resilience for the region in the event of a natural disaster.*

Weaknesses

- *Both aerodromes are unmanned. There is a perceived higher risk of non-compliance and failure to follow best practise.*
- *Marginal financials balance an affordable facility with sufficient revenue to cover costs and capital renewals.*
- *Conflicting use, for example drag racing.*
- *High fixed costs and a limited user base (Takaka).*

Opportunities

- *Underutilised existing land holdings,*
- *Opportunity to develop new related businesses, flight schools (Takaka), general aviation and hangars.*
- *Opportunities to lease land*
- *Move to a CCO structure with integration with Nelson Airport Ltd.*

Threats

- *Increasing compliance and maintenance costs*
- *Urban development and conflicts over noise and height restrictions. This is particularly relevant in Motueka.*
- *Conflict between protecting the use of the aerodrome whilst managing wider community concerns over increased use.*

SWOT Analysis – Port Tarakohe and Port Motueka

Tasman District Council's strengths, weaknesses, opportunities, and threats of Ports as an asset class for future investment.

Strengths

- *Port Tarakohe is the only all tides Port in the Golden Bay region.*
- *Port Tarakohe is geographically adjacent to Golden Bay aquaculture developments.*
- *Projected high growth rate of aquaculture in Golden Bay.*
- *Port water supply issues are now resolved.*
- *EBIDTA positive*

Weaknesses

- *c\$16M debt and growing.*
- *Negative net cash flow due to legacy debt and ongoing improvement costs.*
- *Restricted room for development and expansion.*
- *Legal constraints on equity and alternative ownership structures.*
- *Legacy agreements with adjacent landowners.*
- *Poor traffic access. This includes no legal roading and physical restrictions on size and capacity.*
- *A Little blue penguin colony may restrict future development and operations.*
- *Poor ablution facilities*
- *Tension between recreational and commercial activities.*
- *High costs reflected in charges.*

Opportunities

- *Government and third-party funding for development*
- *Replacement recreational marina development*
- *Potential higher use of recreation area leased to Motor Caravan association.*
- *Increasing mussel revenue*
- *Rock contracts*
- *Development of a barge loading facility.*
- *Development of a retail facility.*
- *Move to a CCO structure (supporting both debt and equity funding)*
- *Reserves Funding from the Pohara Holiday Camp*

Threats

- *Risk of oil and diesel spills*
- *Rising sea levels and temperatures*
- *Tension between commercial and recreational use.*

SWOT Analysis – Financial Instruments

Strengths

- *Potential for long term capital appreciation*
- *Dividends*
- *Diversification opportunities*
- *Ability to participate in growth for Tasman based Companies.*
- *Managed or index linked funds.*

Weaknesses

- *Tasman District Council has no track record, potential optics.*
- *Market volatility*
- *No control over management and decision making.*
- *Exposure to systemic risks*
- *Potential for loss of investment*

Opportunities

- *Investment in emerging industries and local companies*
- *Ability to capitalise on undervalued stocks.*
- *Potential for strategic acquisitions and partnerships*

Threats

- *Economic downturns and recessions*
- *Regulatory changes affecting industries (eg Carbon)*
- *Competitors affecting stakeholder share values.*
- *Risk of mismanagement affecting values and Council reputation.*

Appendix 3

Financial Schedule – Summary Tables 1 to 3 based on draft LTP figures

Table 1												
	Total AP 2023/24	Budget LTP 2024/25	Budget LTP 2025/26	Budget LTP 2026/27	Budget LTP 2027/28	Budget LTP 2028/29	Budget LTP 2029/30	Budget LTP 2030/31	Budget LTP 2031/32	Budget LTP 2032/33	Budget LTP 2033/34	Total 2023-2034
Income Equalisation Reserve												
Forestry	0	0	30,561	240,024	0	3,305,914	2,630,682	1,906,666	2,424,708	3,427,223	1,696,894	15,662,675
Campgrounds Excluding Pohara Holiday Park	0	0	0	0	0	0	0	0	0	0	0	0
Campgrounds Pohara Holiday Park	0	0	0	0	0	0	0	0	0	0	0	0
Port	0	0	0	0	0	0	0	0	0	0	0	0
Aerodromes	0	0	0	0	0	0	0	0	0	0	0	0
Commercial Property	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	30,561	240,024	0	3,305,914	2,630,682	1,906,666	2,424,708	3,427,223	1,696,894	15,662,675
Table 2												
	Total AP 2023/24	Budget LTP 2024/25	Budget LTP 2025/26	Budget LTP 2026/27	Budget LTP 2027/28	Budget LTP 2028/29	Budget LTP 2029/30	Budget LTP 2030/31	Budget LTP 2031/32	Budget LTP 2032/33	Budget LTP 2033/34	Total 2023-2034
Distributions from activity balances to offset rates or council expenditure												
Forestry	2,368,333	1,903,333	1,903,333	1,903,333	1,903,333	1,903,333	1,903,333	1,903,333	1,903,333	1,903,333	1,903,333	21,401,667
Campgrounds Excluding Pohara Holiday Park	39,000	20,000	20,000	18,000	16,000	16,000	21,000	20,000	26,000	28,000	32,000	256,000
Campgrounds Pohara Holiday Park	74,000	93,000	97,000	88,000	87,000	79,000	85,000	88,000	87,000	92,000	97,000	967,000
Port	0	0	0	0	0	0	0	0	0	0	0	0
Aerodromes	0	0	0	0	0	0	0	0	0	0	0	0
Commercial Property	59,000	72,000	71,000	62,000	54,000	54,000	64,000	118,000	137,000	137,000	137,000	965,000
Total	2,540,333	2,088,333	2,091,333	2,071,333	2,060,333	2,052,333	2,073,333	2,129,333	2,153,333	2,160,333	2,169,333	23,589,667

Table 3												
	Total AP 2023/24	Budget LTP 2024/25	Budget LTP 2025/26	Budget LTP 2026/27	Budget LTP 2027/28	Budget LTP 2028/29	Budget LTP 2029/30	Budget LTP 2030/31	Budget LTP 2031/32	Budget LTP 2032/33	Budget LTP 2033/34	Total 2023- 2034
Transfer to investment fund reserve												
Forestry NET	0	0	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	500,000	500,000	8,000,000
Campgrounds Excluding Pohara Holiday Park	118,000	60,000	60,000	53,000	47,000	49,000	63,000	59,000	79,000	83,000	95,000	766,000
Campgrounds Pohara Holiday Park	149,000	187,000	194,000	176,000	175,000	158,000	170,000	176,000	175,000	184,000	195,000	1,939,000
Port	0	0	0	0	0	0	0	0	0	0	0	0
Aerodromes	51,000	50,000	0	50,000	0	0	0	0	0	0	0	151,000
Commercial Property	176,000	215,000	214,000	185,000	161,000	161,000	192,000	355,000	410,000	410,000	410,000	2,889,000
Total	494,000	512,000	1,468,000	1,464,000	1,383,000	1,368,000	1,425,000	1,590,000	1,664,000	1,177,000	1,200,000	13,745,000
	Total AP 2023/24	Budget LTP 2024/25	Budget LTP 2025/26	Budget LTP 2026/27	Budget LTP 2027/28	Budget LTP 2028/29	Budget LTP 2029/30	Budget LTP 2030/31	Budget LTP 2031/32	Budget LTP 2032/33	Budget LTP 2033/34	Total 2023- 2034
Transfer out to CAPEX												
Campgrounds Excluding Pohara Holiday Park	94,695	170,000	256,000	220,000	56,400	58,400	50,600	50,600	50,600	50,600	50,600	1,108,495
Campgrounds Pohara Holiday Park	0	4,000	416,000	64,000	444,000	34,000	44,000	200,000	44,000	44,000	44,000	1,338,000
Port	0	0	2,400,000	60,000	48,000	2,020,000	2,000,000	0	0	0	0	6,528,000
Aerodromes	0	164,800	114,000	76,000	280,000	212,000	60,000	260,000	260,000	60,000	60,000	1,546,800
Commercial Property	22,022	140,000	188,000	160,000	52,000	1,740,000	640,000	40,000	40,000	0	40,000	3,062,022
Total	116,717	478,800	3,374,000	580,000	880,400	4,064,400	2,794,600	550,600	394,600	154,600	194,600	13,583,317
Balance	377,283	33,200	-1,906,000	884,000	502,600	-2,696,400	-1,369,600	1,039,400	1,269,400	1,022,400	1,005,400	161,683
Cumulative Balance	377,283	410,483	-1,495,517	-611,517	-108,917	-2,805,317	-4,174,917	-3,135,517	-1,866,117	-843,717	161,683	161,683

Financial Schedule – Activity Table Forestry

	Total AP 2023/24	Budget LTP 2024/25	Budget LTP 2025/26	Budget LTP 2026/27	Budget LTP 2027/28	Budget LTP 2028/29	Budget LTP 2029/30	Budget LTP 2030/31	Budget LTP 2031/32	Budget LTP 2032/33	Budget LTP 2033/34	Cumulative Total
Forestry												
Opening Activity Balance	22,588,854	818,175	2,597,653	2,484,508	2,575,467	2,953,853	2,780,892	2,600,443	2,493,882	2,310,673	2,477,799	
Revised Surplus/ Deficit amount adjusted for non cash items and General rate	5,160,663	4,062,811	2,759,627	2,754,268	3,281,719	-575,542	92,202	890,106	295,415	-856,763	642,400	18,506,907
Income Equalisation Reserve												
Transfer to Income equalisation reserve	-15,662,675	0	0	0	0	0	0	0	0	0	0	-15,662,675
Transfer from income equalisation reserve	0	0	30,561	240,024	0	3,305,914	2,630,682	1,906,666	2,424,708	3,427,223	1,696,894	15,662,675
Net Transfer to/from Reserves	-15,662,675	0	30,561	240,024	0	3,305,914	2,630,682	1,906,666	2,424,708	3,427,223	1,696,894	0
Available Activity Balance after Reserve Transfers	10,502,012	4,062,811	2,790,188	2,994,292	3,281,719	2,730,373	2,722,884	2,796,772	2,720,124	2,570,460	2,339,295	
Committed Income distributions												
-Rabbit Island Contribution	285,000	320,000	320,000	320,000	320,000	320,000	320,000	320,000	320,000	320,000	320,000	3,485,000
-General rate Offset	1,000,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	6,000,000
-potential Waimea Dam Loan repayment reserve	1,083,333	1,083,333	1,083,333	1,083,333	1,083,333	1,083,333	1,083,333	1,083,333	1,083,333	1,083,333	1,083,333	11,916,667
Total Committed Distributions	2,368,333	1,903,333	1,903,333	1,903,333	1,903,333	1,903,333	1,903,333	1,903,333	1,903,333	1,903,333	1,903,333	21,401,667
Committed Capital Investments												
Property Motueka	3,600,000											3,600,000
Forestry cutting rights Howard forest		950,000										950,000
Land Purchase	1,567,500											1,567,500
Potential Waimea Community Dam (\$18.75m over 15years from 2018)	6,833,333											6,833,333
Less Capital Investments loan funding (assume 60%)	-3,100,500	-570,000	0	0	0	0	0	0	0	0	0	-3,670,500
Total Committed to Capital Investment	8,900,333	380,000	0	0	0	0	0	0	0	0	0	9,280,333
Transfer to Investment Fund Reserve	0	0	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	500,000	500,000	8,000,000
Estimated adjusted closing balance* target circa \$2-3m	818,175	2,597,653	2,484,508	2,575,467	2,953,853	2,780,892	2,600,443	2,493,882	2,310,673	2,477,799	2,413,760	2,413,760

Financial Schedule – Activity Table Forestry ETS

Forestry ETS							
	units	Market Price at 30/06/22	Market Price at 30/06/23	Market Price at 4/08/23	Balance as at 30/6/22	Balance as at 30/6/23	Balance as at 4/8/23
Pre 1990 ETS unencumbered units (safe)	61,827	76	40	58	4,692,669	2,473,080	3,585,966
Post 1990 ETS unencumbered Credits (safe) from July 2022 FPO	42,160	76	40	58	3,199,944	1,686,400	2,445,280
					7,892,613	4,159,480	6,031,246
Post 1990 ETS encumbered (<i>note 1</i>)	171,290	76	40	58	13,000,911	6,851,600	9,934,820

Note 1: Should Forests be harvested these encumbered credits need to be surrendered, could elect not to harvest and sell these for the market value.

Financial Schedule – Campgrounds (excluding Pohara)

Camping Grounds (Excluding Pohara)	ACT 22/23	Total AP 2023/24	Budget LTP 2024/25	Budget LTP 2025/26	Budget LTP 2026/27	Budget LTP 2027/28	Budget LTP 2028/29	Budget LTP 2029/30	Budget LTP 2030/31	Budget LTP 2031/32	Budget LTP 2032/33	Budget LTP 2033/34	Total 2023-2034
Opening Activity Balance	579,915	920,115	919,825	920,370	920,966	920,038	919,801	920,025	920,266	920,001	920,720	920,495	
Revised Surplus/ (Deficit) amount adjusted for non cash items	340,200	156,710	80,544	80,596	70,073	62,763	65,225	84,240	78,735	105,719	110,775	126,842	1,022,221
Distributed													
Surplus offset rates/council expenditure (Note 1)		39,000	20,000	20,000	18,000	16,000	16,000	21,000	20,000	26,000	28,000	32,000	256,000
^This is calculated by taking 25% of the Revised Surplus													
Transfer to investment fund reserve		118,000	60,000	60,000	53,000	47,000	49,000	63,000	59,000	79,000	83,000	95,000	766,000
Closing activity balance		919,825	920,370	920,966	920,038	919,801	920,025	920,266	920,001	920,720	920,495	920,337	
Capital													
Renewal capital		236,737	225,000	240,000	260,000	141,000	146,000	126,500	126,500	126,500	126,500	126,500	1,881,237
Growth Capital		0	200,000	400,000	290,000	0	0	0	0	0	0	0	890,000
Less Loan funded capital at 60%		-142,042	-255,000	-384,000	-330,000	-84,600	-87,600	-75,900	-75,900	-75,900	-75,900	-75,900	-1,662,742
Net Capital Investment transferred from Investment Reserve		94,695	170,000	256,000	220,000	56,400	58,400	50,600	50,600	50,600	50,600	50,600	1,108,495
Note 1		Surplus to be used within reserves land.											342,495

Financial Schedule – Campgrounds Pohara

Camping Grounds Pohara	Total AP 2023/24	Budget LTP 2024/25	Budget LTP 2025/26	Budget LTP 2026/27	Budget LTP 2027/28	Budget LTP 2028/29	Budget LTP 2029/30	Budget LTP 2030/31	Budget LTP 2031/32	Budget LTP 2032/33	Budget LTP 2033/34	Total 2023-2032
Opening Activity Balance (inc above)	461,898	536,050	629,903	726,397	814,579	901,869	980,407	1,064,958	1,152,139	1,239,834	1,331,532	
Revised Surplus/ (Deficit) amount adjusted for non cash items	461,898	297,152	373,853	387,494	352,182	349,290	315,538	339,551	351,181	349,695	367,698	3,872,834
Distributed												
Surplus offset rates/council expenditure (Note 2)	74,000	93,000	97,000	88,000	87,000	79,000	85,000	88,000	87,000	92,000	97,000	967,000
^This is calculated by taking 25% of the Revised Surplus												
Transfer to investment fund reserve	149,000	187,000	194,000	176,000	175,000	158,000	170,000	176,000	175,000	184,000	195,000	1,939,000
Closing activity balance	536,050	629,903	726,397	814,579	901,869	980,407	1,064,958	1,152,139	1,239,834	1,331,532	1,428,732	
Capital												
Renewal capital	0	10,000	40,000	160,000	110,000	85,000	110,000	0	110,000	110,000	110,000	845,000
Growth Capital	0	0	1,000,000	0	1,000,000	0	0	500,000	0	0	0	2,500,000
Less Loan funded capital at 60%	0	-6,000	-624,000	-96,000	-666,000	-51,000	-66,000	-300,000	-66,000	-66,000	-66,000	-2,007,000
Net Capital Investment transferred from Investment Reserve	0	4,000	416,000	64,000	444,000	34,000	44,000	200,000	44,000	44,000	44,000	1,338,000
												-601,000
Note 2	Surplus to be used within reserves land at Port Tarakohe											

Financial Schedule – Activity Table Port

Port	Total AP 2023/24	Budget LTP 2024/25	Budget LTP 2025/26	Budget LTP 2026/27	Budget LTP 2027/28	Budget LTP 2028/29	Budget LTP 2029/30	Budget LTP 2030/31	Budget LTP 2031/32	Budget LTP 2032/33	Budget LTP 2033/34	Total 2023-2034
Opening Activity Balance	-908,141	-1,051,176	-1,098,469	-1,217,539	-1,652,105	-2,074,862	-2,562,492	-3,352,375	-4,436,588	-5,501,396	-6,589,655	
Revised Surplus/ (Deficit) amount adjusted for non cash items	-143,034	-47,293	-119,070	-434,567	-422,757	-487,630	-789,883	-1,084,212	-1,064,808	-1,088,259	-1,084,136	-6,765,649
Distributed												
Surplus offset rates/council expenditure (Note 1)	0	0	0	0	0	0	0	0	0	0	0	0
Transfer to investment fund reserve												
	0	0	0	0	0	0	0	0	0	0	0	0
Closing activity balance	-1,051,176	-1,098,469	-1,217,539	-1,652,105	-2,074,862	-2,562,492	-3,352,375	-4,436,588	-5,501,396	-6,589,655	-7,673,790	
Capital												
Renewal capital	0	0	0	270,000	0	50,000	0	0	0	0	0	320,000
Growth Capital	0	0	6,000,000	0	0	5,000,000	5,000,000	0	0	0	0	16,000,000
Less Loan funded capital at 60%	0	0	-3,600,000	-90,000	-72,000	-3,030,000	-3,000,000	0	0	0	0	-9,792,000
Net Capital Investment transferred from Investment Reserve	0	0	2,400,000	60,000	48,000	2,020,000	2,000,000	0	0	0	0	6,528,000
												6,528,000
Note 1	Given the planned capex spend in this activity, there are no available funds to offset rates.											

Financial Schedule – Activity Table Aerodromes

Aerodromes	Total AP 2023/24	Budget LTP 2024/25	Budget LTP 2025/26	Budget LTP 2026/27	Budget LTP 2027/28	Budget LTP 2028/29	Budget LTP 2029/30	Budget LTP 2030/31	Budget LTP 2031/32	Budget LTP 2032/33	Budget LTP 2033/34	Total 2023-2034
Opening Activity Balance	196,752	170,963	183,225	226,017	215,969	199,069	170,872	154,064	124,248	81,285	50,150	
Revised Surplus/ (Deficit) amount adjusted for non cash items (Note 2)	25,211	62,262	42,791	39,952	-16,900	-28,197	-16,808	-29,816	-42,962	-31,136	4,420	8,817
Distributed												
Surplus offset rates/council expenditure (Note 1)	0	0	0	0	0	0	0	0	0	0	0	0
Transfer to investment fund reserve	51,000	50,000	0	50,000	0	0	0	0	0	0	0	151,000
Closing activity balance	170,963	183,225	226,017	215,969	199,069	170,872	154,064	124,248	81,285	50,150	54,570	
Capital												
Renewal capital	0	412,000	285,000	190,000	200,000	30,000	150,000	150,000	150,000	150,000	150,000	1,867,000
Growth Capital	0	0	0	0	500,000	500,000	0	500,000	500,000	0	0	2,000,000
Less Loan funded capital at 60%	0	-247,200	-171,000	-114,000	-420,000	-318,000	-90,000	-390,000	-390,000	-90,000	-90,000	-2,320,200
Net Capital investment transferred from Investment Reserve	0	164,800	114,000	76,000	280,000	212,000	60,000	260,000	260,000	60,000	60,000	1,546,800
												419,800
Note 1	Given the planned capex spend in this activity, there are no available funds to offset rates.											
Note 2	General rates revenue of \$80k per annum are allocated in this activity. The LTP draft figure are forecasting a general rates contribution on average of \$169k per year											

Financial Schedule – Activity Table Commercial Property

Commercial Property	Total AP 2023/24	Budget LTP 2024/25	Budget LTP 2025/26	Budget LTP 2026/27	Budget LTP 2027/28	Budget LTP 2028/29	Budget LTP 2029/30	Budget LTP 2030/31	Budget LTP 2031/32	Budget LTP 2032/33	Budget LTP 2033/34	Total 2023-2034
Opening Activity Balance	1,138,962	1,138,800	1,139,072	1,140,040	1,140,130	1,139,524	1,139,032	1,139,522	1,140,517	1,140,556	1,140,594	
Revised Surplus/ (Deficit) amount adjusted for non cash items	234,838	287,272	285,968	247,090	214,394	214,509	256,489	473,995	547,039	547,039	547,039	3,855,671
Distributed												
Surplus offset rates/council expenditure (Note 1)	59,000	72,000	71,000	62,000	54,000	54,000	64,000	118,000	137,000	137,000	137,000	965,000
^This is calculated by taking 25% of the Revised Surplus												
Transfer to investment fund reserve	176,000	215,000	214,000	185,000	161,000	161,000	192,000	355,000	410,000	410,000	410,000	2,889,000
Closing activity balance	1,138,800	1,139,072	1,140,040	1,140,130	1,139,524	1,139,032	1,139,522	1,140,517	1,140,556	1,140,594	1,140,633	
Capital												
Renewal capital	55,056	350,000	470,000	100,000	130,000	100,000	100,000	100,000	100,000	0	100,000	1,605,056
Growth Capital		0	0	300,000	0	4,250,000	1,500,000	0	0	0	0	6,050,000
Less Loan funded capital at 60%	-33,034	-210,000	-282,000	-240,000	-78,000	-2,610,000	-960,000	-60,000	-60,000	0	-60,000	-4,593,034
Net Capital Investment transferred from Investment Reserve	22,022	140,000	188,000	160,000	52,000	1,740,000	640,000	40,000	40,000	0	40,000	3,062,022
												173,022
Note 1	The Commercial Property activity creates a surplus and therefore able to provide funds to offset rates or Council											
Note 2	General rates revenue of \$260k per annum are allocated in this activity. For the LTP 29/30 to 33/24 years this increases to \$840k per year, following the significant capital investment in 28/29											

