

Enterprise Operations

Why we do it

Council generates income from a range of assets and investments. Income generated from these assets is an important income stream for Council and is used to reduce the level of general rates.

Each of Council's commercial and strategic investments/assets has a targeted rate of return. These returns are reviewed on a regular basis. Council is currently developing business plans for each of its business units.

What we do

COMMERCIAL INVESTMENTS

■ Tauwharepara Farms Ltd

These farms are wholly owned by Council through Gisborne Holdings Ltd. The farms are run on a purely commercial basis and are expected to pay annual dividends to Council in the range of \$800K to \$1M.

■ Vehicle Testing Station and Drivers Licensing Centre

Gisborne's one-stop-shop for warrant of fitness, vehicle registration and driver licensing. The centre is run on a purely commercial basis. In recent years the centre has seen increased local competition and is currently reviewing its business plans to ensure continued profitability.

■ Forestry Holdings

The Council owns a number of forestry blocks and is involved with Juken New Zealand in a joint venture on Council's Pamoia lands. These are long-term investments as blocks are harvested as they reach maturity. Estimated financial returns can vary widely as they are based on expected international log prices.

■ Waikanae Beach Holiday Park

The Council runs a Qualmark 4 star quality holiday park at Waikanae Beach in Gisborne city. The park provides a range of quality affordable accommodation in an ideal location. The park operates profitably and is looking to expand its offerings into the off-season to increase financial returns.

SEMI-COMMERCIAL INVESTMENTS

■ Industrial Land Holdings

Council has purchased land to consolidate for resale as industrial holdings. This is to encourage regional capital investment and industrial development. These properties are leased out at commercial rates until sold.

■ Commercial and Semi-Commercial Leased Properties

Council leases out a number of properties which are either historically held by Council or held for future Council requirements. These properties are expected to provide a market rate of return. All holdings are reviewed on a regular basis and, where no longer required, are disposed of at current market rates.

STRATEGIC INVESTMENTS

■ Gisborne Airport

The Gisborne Airport is leased out to Eastland Infrastructure Ltd. The objective for this asset is to ensure that services continue to be provided to the region and support the economic development of the area. The lease requires that the airport be maintained and returned to the Council in the same condition as at the start of the lease.

■ Community Housing

This is referred to separately in this document. The overall objective is to provide affordable accommodation for the elderly who have difficulty providing it themselves. This activity is financially self-supporting.

Community Outcomes

This activity contributes to the following community outcomes:



Connected
Tairāwhiti



Prosperous
Tairāwhiti

Where we are now

Council is reviewing all its investments and strategic assets on a rolling basis. Not all investments are providing an optimum level of return.

Where we want to be

Council wants to manage its investments in a sustainable, professional and commercial manner to ensure that they make a significant contribution to reducing its reliance on rates funding.

How we plan to get there

All investments and strategic assets are managed under the Council's Treasury Management Policies. These policies are reviewed on a regular basis. Each investment has a specific set of objectives and a financial return policy. Business plans will be developed for business units. Regular reviews of financial performance will ensure that all assets are managed to optimise returns. The Council has an Assets Review Sub Committee that is currently reviewing all assets with the objective of identifying surplus assets that can be sold.

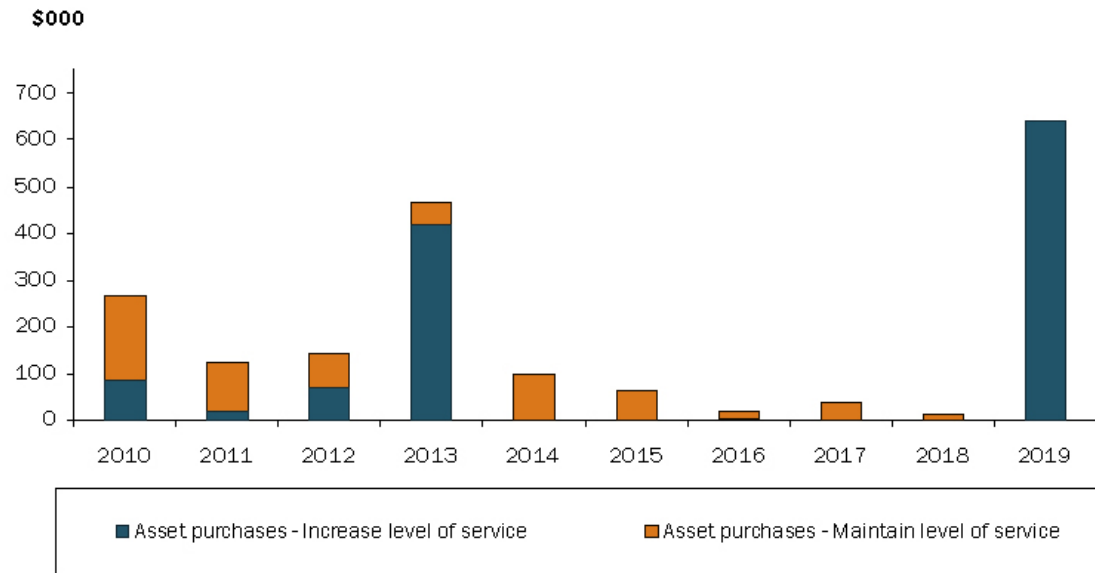
Significant negative effects

There are no significant negative effects from this activity.

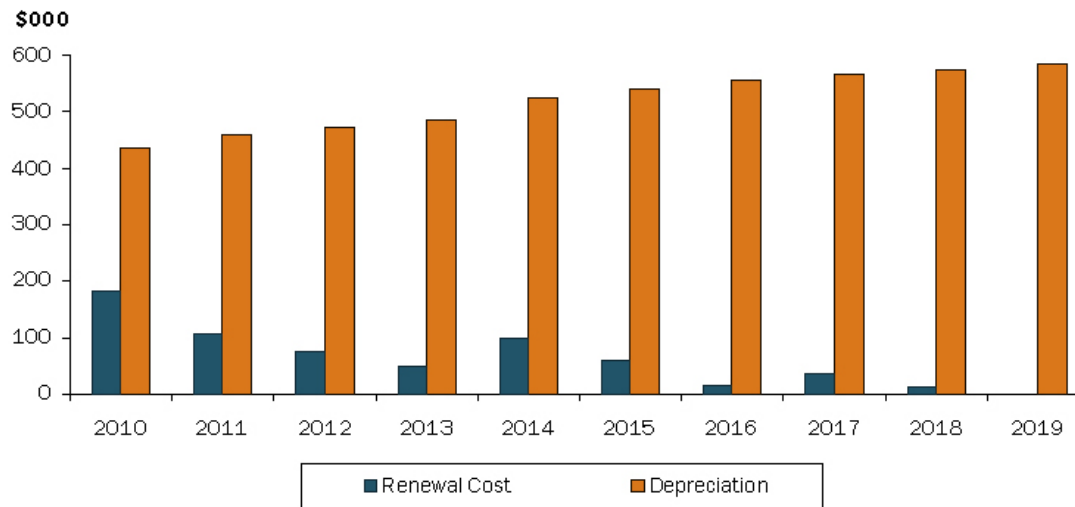
Summary of Forecasted Financial Performance for the 10 Years 2010 to 2019

	2010 \$'000	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000
ENTERPRISE OPERATIONS										
OPERATIONS										
Operating Revenue										
Activity revenue	-2,805	-2,786	-2,859	-2,949	-3,009	-3,149	-3,189	-3,222	-3,304	-3,735
Grants and subsidies	0	0	0	0	0	0	0	0	0	0
Other revenue	0	0	0	0	0	0	0	0	0	0
Total Operating Revenue	-2,805	-2,786	-2,859	-2,949	-3,009	-3,149	-3,189	-3,222	-3,304	-3,735
Operating expenditure										
Depreciation	435	458	470	485	526	539	554	567	572	584
Interest	31	32	32	45	55	50	45	40	34	53
Operating costs	1,645	1,590	1,638	1,692	1,721	1,830	1,844	1,859	1,912	2,282
Total operating expenditure	2,111	2,080	2,140	2,222	2,302	2,419	2,443	2,466	2,518	2,919
Net Internal Charges/(Recoveries)	208	220	249	318	341	353	412	470	606	691
Net cost of Service	-486	-486	-470	-409	-366	-377	-334	-286	-180	-125
Funded by:										
Rates income	719	741	739	705	675	691	676	654	593	535
Transfers to/(from) reserves	0	0	0	0	0	0	0	0	0	0
Depreciation not funded	-267	-275	-283	-291	-299	-307	-317	-325	-332	-340
(Increase)/decrease in deficits carried forward	34	20	14	-5	-10	-7	-25	-43	-81	-70
TOTAL OPERATIONS FUNDING	486	486	470	409	366	377	334	286	180	125
CAPITAL										
Capital outgoings										
Asset purchases - Increase level of service	83	18	68	420	0	0	3	0	0	642
Asset purchases - Maintain level of service	182	104	75	47	99	61	14	37	11	0
Total asset purchases	264	123	143	467	99	61	17	37	11	642
Loan repayments	45	49	51	54	75	75	75	76	76	44
Total Capital Outgoings	309	172	194	521	174	136	92	113	87	686
Funded by:										
Rates income	0	0	0	0	0	0	0	0	0	0
Development contribution income	0	0	0	0	0	0	0	0	0	0
Transfers to/(from) development contribution reserve	0	0	0	0	0	0	0	0	0	0
Capital grants and donations	0	0	0	0	0	0	0	0	0	0
Other capital revenue	0	0	0	0	0	0	0	0	0	0
Loan funding	-86	-34	-68	-420	0	0	-3	0	0	-642
Transfer from depreciation reserve	-224	-138	-126	-101	-174	-136	-89	-113	-87	-44
Transfer to/(from) other reserves	1	0	0	0	0	0	0	0	0	0
TOTAL CAPITAL FUNDING	-309	-172	-194	-521	-174	-136	-92	-113	-87	-686

Total Capital Projects



Depreciation v Renewal Capital Projects



Capital Expenditure Programme

Description	Total Cost	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Other
Enterprise Operations												
Capital Projects - Increase Level of Service	1,233,636	82,608	18,103	67,935	420,000			2,990			642,000	100%
Capital Projects - Maintain Level of Service	631,015	181,814	104,447	75,486	46,630	98,954	61,220	14,352	36,873	11,239		100%
Totals:	1,864,651	264,422	122,550	143,421	466,630	98,954	61,220	17,342	36,873	11,239	642,000	