

**Subject:** Annual Plan 2010/11 Activity Report - Enterprise Operations

**Prepared by:** Terry McMillan

**Meeting Date:** 5/6 May 2010

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## Report to COUNCIL for decision

### SUMMARY

Three submissions to the draft 2010/11 Annual Plan contained comments relating to the Enterprise Operations activity. Detailed officer responses and recommendations to these submissions are attached. The issues covered by these submissions were grouped into the following areas:

- Strategic Investment Properties

The following overarching issues/themes have emerged from the submissions:

- The financial performance and strategic role of the Tauwhareparae Farms Ltd.

### RECOMMENDATIONS

That Council

1. receives the report
2. approves the officer responses contained in Attachment 1 - Enterprise Operations submissions and responses
3. amends the draft Annual Plan 2010/11 to reduce the dividend from Gisborne Holdings Ltd to \$500K as advised by the directors.

Terry McMillan  
Activity Manager

Peter Higgs  
Department Manager

## **1. BACKGROUND**

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.

Tauwhareparae Farms Ltd is 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. The directors have advised that they are recommending a revised dividend policy that better aligns the dividends to the underlying cash flow of the operations. This revised policy will result in an interim dividend of \$500K being paid in February each year with a final dividend paid in October once the annual result is known. The 2010/11 year will be a transitional one with only the \$500K February interim dividend payment being received. The related October payment will fall in the following financial year.

## **2. DISCUSSION AND OPTIONS**

Council reviews the financial performance and strategic role of Tauwhareparae Farms Ltd regularly. The most recent review favoured the retention of the farms.

## **3. SIGNIFICANCE**

This activity is considered towards the Less Significant end of the scale.

## **4. CONSULTATION**

Enterprise Operations activities tend to consider strategic and financial aspects and require a level of local consultation where changes are proposed. This provides a positive opportunity for the community to have their say.

## **5. COMMUNITY OUTCOMES**

The contribution to community outcomes by the Enterprise Operations activities remains unchanged.

## **6. LEVELS OF SERVICE**

Levels of service remain unchanged

## **7. FINANCIAL**

Financial dividends from the Tauwhareparae Farms Ltd are included in the annual plan budget.

## **8. LEGAL**

There are no legal implications for these issues. Should the ownership or delivery of services be considered then legal advice will be required.

## **9. POLICY**

There are no policy implications at this time although some issues may influence future Council planning and policy development.

## Summary and Response by Issue

For: Annual Plan 2010/11 - ENTERPRISE OPERATIONS

Issue	Submitter
<b>Strategic Investment Properties</b>	
42	Radomske, Clare Andrew
<p>Objects to the continued ownership of the farm, given the costs ratepayers suffer. This plan describes 4.3 million in interest. This is four times what we can expect at the best of times from the farm.</p> <p><i>Officer Response: The financial performance and strategic role of the Tauwhareparae Farms is regularly reviewed and will continue to be so. Recent reviews have been in favour of retaining the farms. Officer Recommendation: That there be no change to the draft Annual Plan.</i></p>	
44	Gisborne Chamber Of Commerce
<p>Debt levels average \$40M a year over the next 10 years. Sell the farm. No action on asset sales, council too slow.</p> <p><i>Officer Response: The financial performance and strategic role of the Tauwhareparae Farms is regularly reviewed. The last review was in favour of retaining the farms. Assets disposal/sales are subject to complicated legislative compliance. It has not been a Council priority to resource this project. Officer Recommendation: That there be no change to the draft Annual Plan.</i></p>	
65	Thorpe, Margaret Ann
<p>Recommends that council reject the \$800k dividend proposal for Tauwhareparae farms as adequate. Surely the time is right for these farms to benefit the whole region. Maybe a public referendum on the topic would be timely.</p> <p><i>Officer Response: The financial performance of Gisborne Holding Ltd is reviewed regularly. The most recent review favoured the retention of its Tauwhareparae Farms subsidiary. The directors in their draft annual Statement of Intent (SOI) have proposed a revised dividend payment better aligned to the farming operations underlying cash flow. The proposal will see an interim dividend of \$500K paid in February each year with a final dividend paid in October and based on the full years financial result. This proposal has been accepted by Council. The effect in the 2010/11 financial year will be the receipt of \$500K in dividends as opposed to the \$800K included in the draft estimates. This is a timing difference as the balance of the dividend will fall into the next financial year. Officer Recommendation: That Council amends the draft Annual Plan 2010/11 to reduce the dividend from Gisborne Holdings Ltd to \$500k as advised by the directors.</i></p>	