

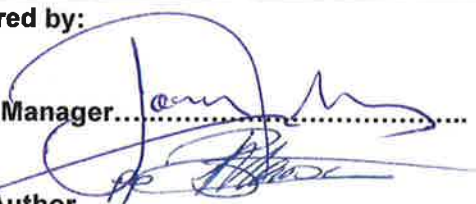


Tasman District Council

Property Activity Management Plan

2012 - 2022

July 2012

Quality Assurance Statement

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For full Quality Assurance Statement, Refer Appendix Z

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1 KEY ISSUES FOR THE PROPERTY ACTIVITY

The most important issues relating to the property activity are shown below in Table 1-1.

Table 1-1: Key Issues for the Property Activity

Key Issue	Council Approach
Community satisfaction.	Council will ensure its operational properties continue to satisfy the requirements of the community and tenants.

2 ACTIVITY DESCRIPTION

2.1 What We Do

Council owns, manages and maintains a number of buildings throughout the district which support council and community activities. This includes:

- libraries and administration offices
- Council's commercial properties
- campgrounds
- community fire stations
- Aquatic Centre building.

The activities that occur within these buildings are covered by other areas of Council.

A complete description of the assets included in the property activity is in Appendix B.

2.2 Why We Do It

Council is the owner or custodian of a substantial property portfolio and has identified the need for quality property services and professional expertise within the Council to meet its on-going property requirements.

3 COMMUNITY OUTCOMES AND OUR GOAL

The community outcomes that the property activity contributes to most are shown in Table 3-1.

Table 3-1: Community Outcomes

Community Outcomes	How Our Activity Contributes to the Community Outcome
Our developing and sustainable economy provides opportunities for us.	We will support the development or sale of Council property, where appropriate, to provide business or employment opportunities.
Our communities are healthy, resilient and enjoy their quality of life.	Our offices and libraries and other public facilities will be accessible for persons with disabilities, and will provide a safe and welcoming environment.
Our urban and rural environments are pleasant, safe and sustainably managed.	The activity can be managed so the impact of any property development upon the environment is minimised and any future developments have environment sustainability as an expectation.

3.1 Our Goal

To provide a property and business management of Council assets that contributes towards the enhancement of Council's recreational assets and maximises net returns on a sustainable basis to provide a contribution to rates.

4 OPERATIONS, MAINTENANCE AND RENEWALS STRATEGY

4.1 Operation and Maintenance Contracts

A number of asset management contracts are applicable to the Property Activity Management Plan (AMP). Most are informal contracts using preferred contractors and cover scheduled and reactive maintenance. These include contracts for:

- heating, ventilation and air conditioning systems
- lift and door inspections
- fire protection service inspections
- cleaning
- building warrant of fitness assessment
- building maintenance
- car park maintenance.

All buildings are inspected at least annually.

Maintenance costs for the assets currently covered by this AMP are predicted to remain relatively constant over the period covered by the Long Term Plan (LTP).

Operation and maintenance is discussed in detail in Appendix E.

4.2 Renewals

Renewal expenditure is major work that does not increase the assets design capacity but restores, rehabilitates, replaces or renews and existing asset to its original capacity. Work over and above this is new capital expenditure.

Assets are considered for renewal as they near the end of their effective working life or where the cost of maintenance becomes uneconomical and when the risk of failure of critical assets is sufficiently high.

The development of the renewals programme is based on the knowledge of the asset manager in consultation with building occupiers and consultants.

Renewals are discussed in Appendix I.

5 EFFECTS OF GROWTH, DEMAND AND SUSTAINABILITY

5.1 Population Growth

A comprehensive Growth Demand and Supply Model (GDSDM or growth model) has been developed to provide predictive information for population growth and business growth, and from that, information about dwelling and building development across the district and demand for infrastructure services. The Growth Demand and Supply Model underpins the Council's long term planning through the Activity Management Plans, Long Term Plans and supporting policies (eg. Development Contributions Policy).

The 2011 Growth Demand and Supply Model is a third generation growth model with previous versions being completed in 2005 and 2008.

Population growth does not have a direct effect on the properties activity; therefore the model outputs are not directly relevant to this activity. However, generally population growth leads to intensification of the use of existing facilities for recreation.

It is Council's intention to adapt or extend existing facilities to accommodate increased demand. Only if this is not possible will Council give consideration to the construction of new property assets. Council have included financial provision in its forecasts for extensions to a number of its facilities to address the growth staff numbers working in Council owned buildings. Some of these projects are listed in Table 8-1.

5.2 Sustainability

The Local Government Act 2002 requires local authorities to take a sustainable development approach while conducting its business, taking into account the social, economic and cultural well-being of people and communities, the need to maintain and enhance the quality of the environment and the reasonably foreseeable needs of future generations.

Sustainable development is the fundamental philosophy that is embraced in Council's Vision, Mission and Objectives, and that shapes the community outcomes. The levels of service and the performance measures that flow from these inherently incorporate the achievement of sustainable outcomes.

Many of the Council's cross-organisational initiatives are shaped around community well-being (economic, social, cultural and environmental) and taking into consideration the well-being of future generations. This is demonstrated in:

- Council's Integrated Risk Management approach which analyses risks and particularly risk consequences in terms of community well-being
- Council's Growth Demand and Supply Model which seeks to forecast how and where urban growth should occur taking into account opportunities and risks associated with community well-being
- Council adopting a 20 year forecast in the Activity Management Plans to ensure the long term financial implications of decisions made now are considered.

At the activity level, a sustainable development approach is demonstrated by the following:

- ensuring minimal impact on the environment by the activity
- ensuring that the district's likely future property requirements are identified at an early stage and that they, and the financial risks, are competently managed over the long term without Council having to resort to disruptive revenue or expenditure measures.

6 LEVEL OF SERVICE AND PERFORMANCE MEASURES

Table 6-1 summarises the strategic levels of service and performance measures for the property activity. Development of the levels of service is discussed in detail in Appendix R.

Table 6-1: Levels of Service

ID	Levels of Service (we provide)	Performance Measure (We will know we are meeting the level of service if.....)	Current Performance	Future Performance			Future Performance (targets) in Year 10 2021/22
				Year 1	Year 2	Year 3	
				2012/13	2013/14	2014/15	
Community Outcome: Our developing and sustainable economy provides opportunities for us.							
Community Outcome: Our communities are healthy, resilient and enjoy their quality of life.							
Community Outcome: Our urban and rural environments are pleasant, safe and sustainably managed.							
1	Effective Management of Council property services to enable other Council activities to carry out their functions.	Other departments' reasonable expectations of the properties services are delivered. As measured by a three yearly survey of selected customers.	Actual: Most requirements are met, however, not all factors are currently measured.	70% of customers surveyed are fairly or very satisfied	70% of customers surveyed are fairly or very satisfied	70% of customers surveyed are fairly or very satisfied	70% of customers surveyed are fairly or very satisfied
2	Buildings and property services that comply with legislative and resource and building consent requirements.	All operational buildings (offices and libraries) meet all legislative, resource consent and building consent requirements.	Actual: Most requirements are met, however, not all factors are currently measured.	100% compliance	100% compliance	100% compliance	100% compliance

7 CHANGES MADE TO ACTIVITY OR SERVICE

Table 7-1 summarises the key changes for the management of the property activity since the 2009 AMP.

Table 7-1: Key Changes

Key Change	Reason for Change
<p>The following asset types have been removed from the content of this AMP:</p> <ul style="list-style-type: none"> • pensioner cottages • community buildings (such as halls) • public toilets • some coastal structures. 	<p>These assets have been moved into AMPs which are seen to be more relevant in terms of the activities covered by those AMPs.</p>
<p>Assets relating to camping grounds have now been added to this AMP.</p>	<p>Assets and activities associated with Council owned camping grounds in the district have been considered more appropriate to be covered by the Properties AMP.</p> <p>The capture of asset information for camping grounds is yet to be undertaken.</p>
<p>Ownership and external building maintenance of the Aquatic Centre has now been added to this AMP.</p>	<p>Council own the Aquatic Centre and consider this and the maintenance of the building exterior is more appropriately covered by the Properties AMP.</p> <p>The capture of asset information is in progress.</p>

8 KEY PROJECTS

Table 8-1 details the key capital and renewal work programmed for years 2012 to 2022.

Table 8-1: Significant Projects

Project Name	Year 1 (\$)	Year 2 (\$)	Year 3 (\$)	Years 4 to 10 (\$)	Project Driver ¹
Operational Buildings - Main office Buildings.	-	-	-	3,000,000	G
Campgrounds - Riverview Campground Upgrade.	-	-	40,000	40,000	R
Campgrounds – Fearons Bush Campground Upgrade.	-	-	-	80,000	R
Campgrounds -Pohara Campground Upgrade.	8,000	8,000	8,000	56,000	R
Commercial Property - Mapua Development.	10,000	50,000	50,000	-	G
Operational Property – Main Office – Building C.	150,000-	10,000	10,000	260,000	R
Operational Building - Motueka Library Building Extension.	-	1,000,000	-	-	LoS

Note:

1. See Appendix F for a full detailed list of new capital works projects driven by growth and/or an increase in level of service.
2. See Appendix I for a full detailed list of renewal projects.

¹ G = Growth, R = Renewals, LoS= Levels of Service

9 MANAGEMENT OF THE ACTIVITY

9.1 Management

Council provide quality buildings, building services and facilities management for its offices and libraries. These services are managed to meet the requirements of staff and the community. Council also provide lease management and building maintenance services for the properties within the activity.

The continuous improvement of Council on its management of the activity will provide:

- offices and libraries the ability to offer better services
- facilities for staff to work in better conditions, improving efficiencies
- facilities for camping grounds which will result in increased patronage
- facilities which will meet tenant's requirements.

9.2 Significant Effects

The significant negative and significant positive effects are listed below in Table 9-1 and Table 9-2 respectively.

Table 9-1: Significant Negative Effects

Effect	Council's Mitigation Measure
Cost of providing additional facilities to cater for growth	Council's management of the properties activity using best practice and competitive tendering aims to provide economic efficiency (ie. best value for money) for the ratepayers.

Table 9-2: Significant Positive Effects

Effect	Description
Economic development.	Provision and maintenance of operational and commercial properties allows for the development of commercial activities, therefore contributing to economic growth and prosperity.
Community value	The provision and maintenance of the property activity is of community value as it contributes to recreation, educations and business within the communities.
Environmental sustainability.	Council aims to achieve environmental sustainability whilst managing the properties activity.
Economic efficiency.	Council's management of the properties activity using best practice and competitive tendering aims to provide economic efficiency (ie. best value for money) for the ratepayers.

9.3 Assumptions

Council has made a number of assumptions in preparing the AMP. These are discussed in detail in Appendix Q. Table 9-3 lists the most significant assumptions and briefly outlines the impact of the assumption.

Table 9-3: Significant Assumptions

Assumption Type	Assumption	Discussion
Ownership.	Council will continue to own its operational property.	There is no taxation advantage not to own operational property, so there is no intention to take the risk of having a landlord.
Management.	The provision of property services will continue to be managed in house.	Council's preference is to manage this in-house. There are regular unsolicited approaches to outsourcing.
Financial assumptions.	That all expenditure has been stated in 1 July 2011 dollar values and no allowance has been made for inflation.	The LTP will incorporate inflation factors. This could have a major impact on the affordability of the plans if inflation is higher than allowed for, but Council is using the best information practically available from Business and Economic Research Limited (BERL).
Asset data knowledge.	That Council has sufficient knowledge of the assets and their condition so that the planned renewal work will allow Council to meet its levels of service.	There are several areas where Council needs to improve its knowledge and assessments but there is a low risk that the improved knowledge will cause a major change to the level of expenditure required.
Growth forecasts.	The demand for facilities and assets provided will continue as currently identified.	If the growth is greatly different it will have a major impact. If higher, Council may need to advance capital projects. If it is lower, Council may have to defer planned works.
Timing of capital projects.	That capital projects will be undertaken when planned.	The risk of the timing of projects changing is high due to factors like resource consents, funding and land purchase. Council tries to mitigate these issues by undertaking the consultation, investigation and design phases sufficiently in advance of the construction phase. If delays are to occur, it could have major effects on the level of service.
Accuracy of capital project cost estimates.	That the capital project cost estimates are sufficiently accurate enough to determine the required funding level.	The risk of large under estimation is low; however the significance is moderate as Council may not be able to afford the true cost of the projects. Council tries to reduce the risk by including a standard contingency based on the projects lifecycle.
Changes in legislation and policy.	That there will be no major changes in legislation or policy.	The risk of major change is high due to the changing nature of the government and politics. If major changes occur it is likely to have a major impact on the required expenditure. Council has not mitigated the effect of this.
Council's disaster fund reserves.	That the level of funding held in Council's disaster fund reserves and available from insurance cover will be adequate to cover reinstatement following emergency events.	The risk of inadequate reserves and recovery from insurance claims would mean deferral of future capital projects to provide any financial shortfall required to cover reinstatement costs.

The major capital projects and their potential uncertainties are listed in Appendix Q.

9.4 Risk Management

Council's risk management approach is described in detail in Appendix Q.

This Integrated Risk Management approach includes risk assessment at an organisational level (Level 1). The treatment measures and outcomes of the organisational level risk management are included within the LTP.

The asset group level (Level 2) risk assessment was carried out at the same time as the Level 1 assessment due to the relatively small number of assets managed within the activity.

Critical assets and components relating to the Property Asset Management Plan are the facilities required to enable the Council to undertake its day to day operation as well as those facilities that have been identified to form part of the Council's response during an emergency. These particular assets are identified in Appendix B.

9.5 Improvement Plan

Development of the improvement plan is discussed in Appendix V. It includes a table of planned improvements that are still to be implemented and information on how they have been budgeted. It is a snapshot of the improvement plan at February 2012. It is intended that the improvement plan is continually updated and monitored as a live document.

Appendix V also includes a summary of the key improvements that have been achieved since the preparation of the 2009 AMP.

10 SUMMARY OF COST FOR ACTIVITY

The following figures have been generated from the Funding Impact Statement held in Appendix L and the Public Debt and Loan Servicing Cost information in Appendix K. Further detail is held in Appendix E, F and I for operation and maintenance, new capital and renewal costs respectively. All the following graphs include inflation.

For ease of reporting, Council have combined Council Enterprises and Properties as one report group in the Funding Impact Statement and will therefore also be included in some of the following graphs.

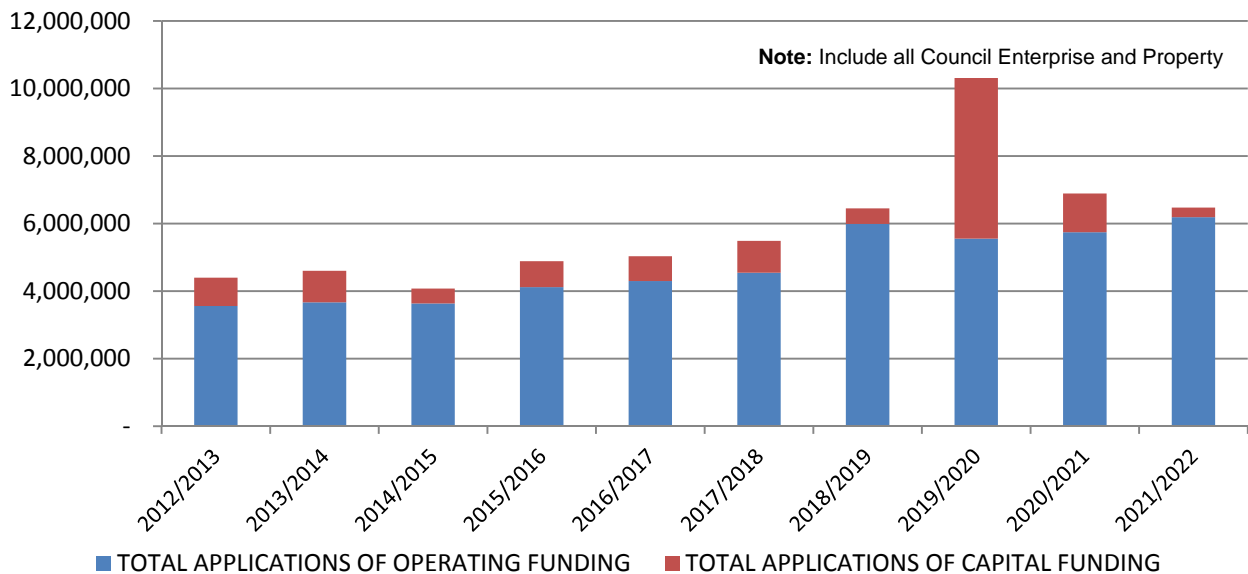


Figure 10-1: Total Expenditure

- The significant increase in capital expenditure in 2019/2020 relates to the proposed additional development of the main office building in Queen Street in Richmond.
- Operating expenditure increases from \$3.5 million to \$6.1 million over the next 10 year period. This is due to inflation.

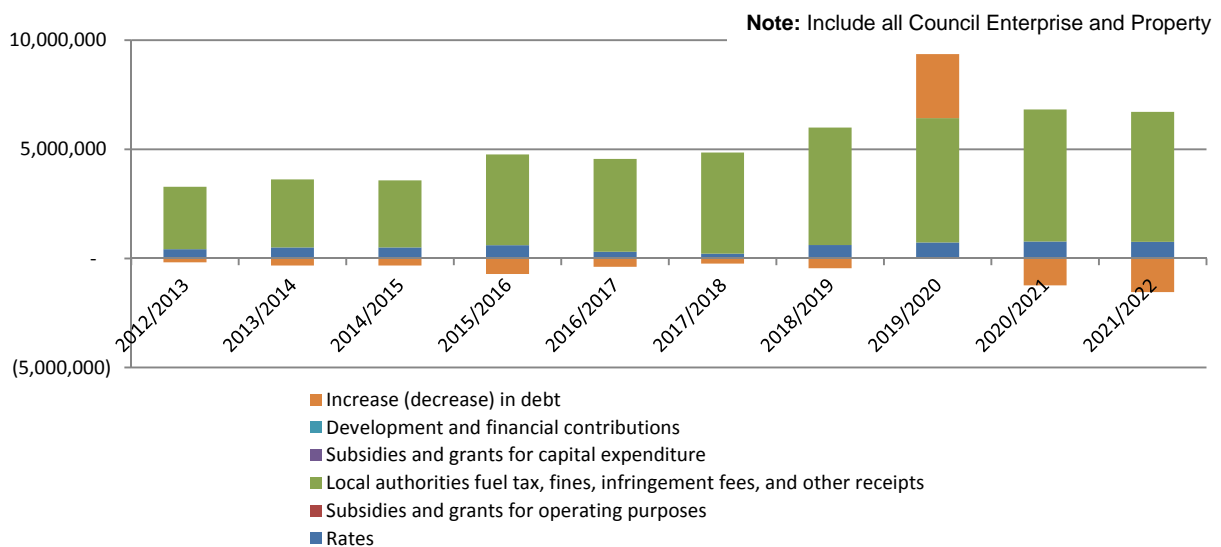


Figure 10-2: Total Income

- The income proposed for the next ten years corresponds with the proposed expenditure in Figure 10-1.

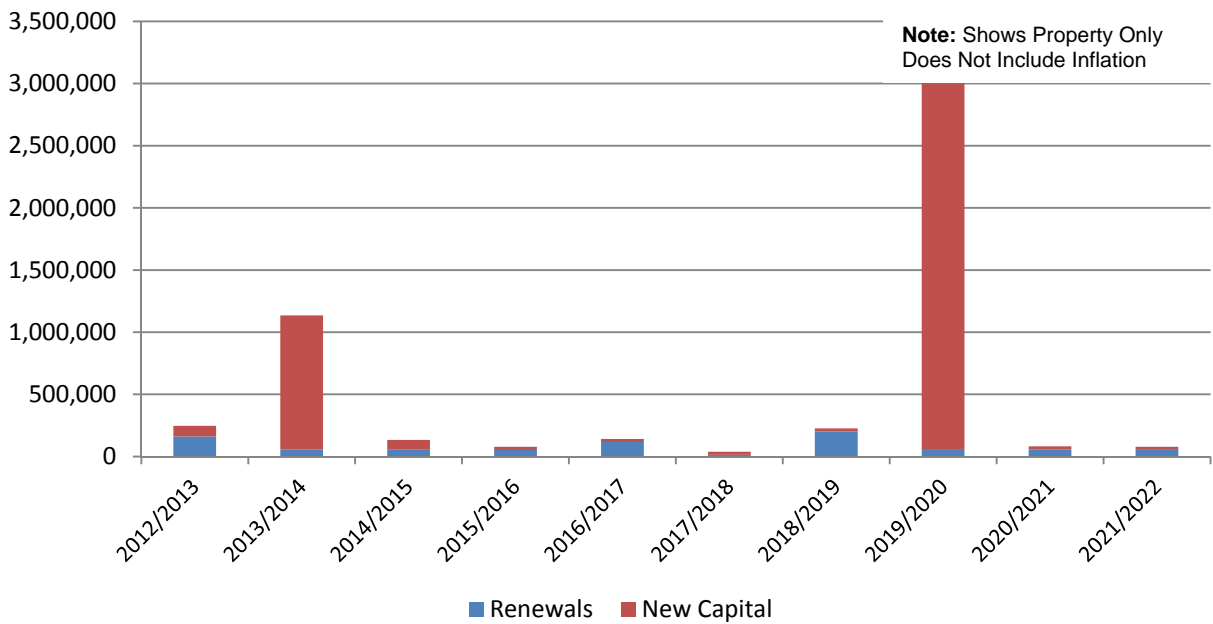


Figure 10-3: Capital Expenditure

- The capital expenditure includes both new capital and renewals works. The most significant proposed work is in 2019/2020 which is the additional development of the main office building on Queen Street in Richmond.

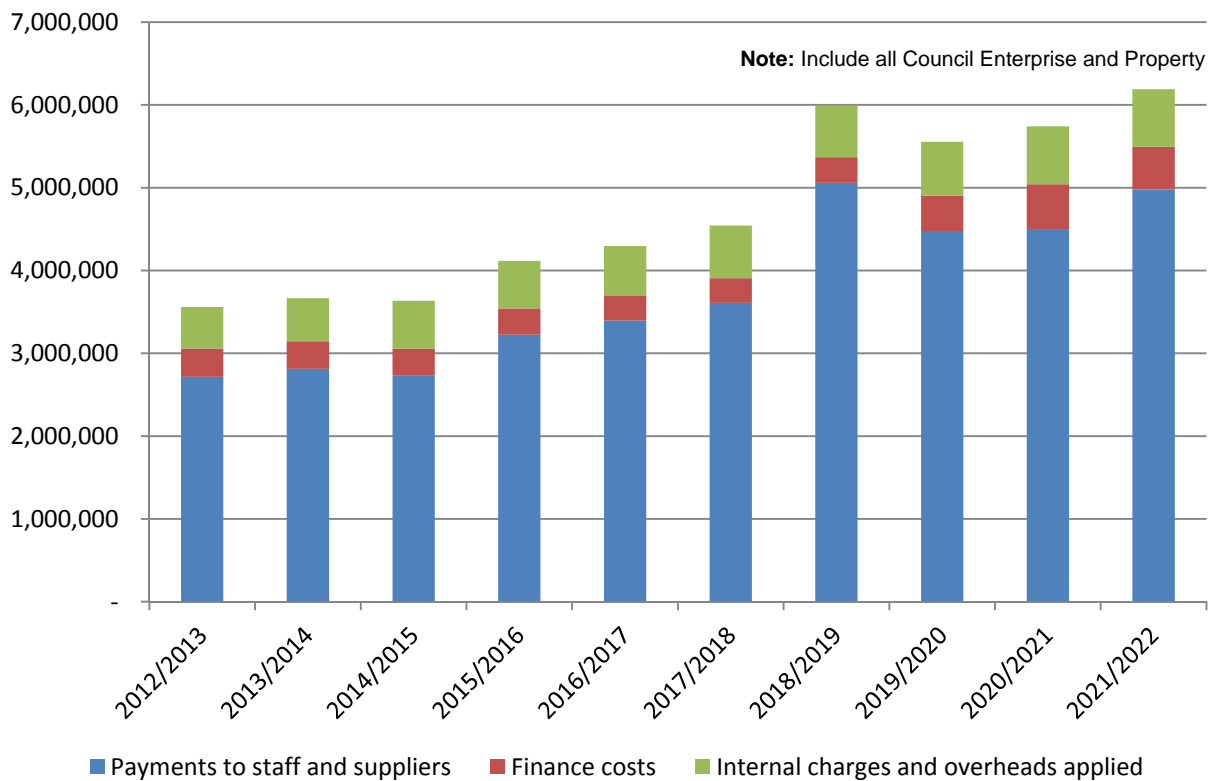


Figure 10-4: Operating Expenditure

- The operational property and commercial property operating expenditure increases due to inflation over the next ten years.

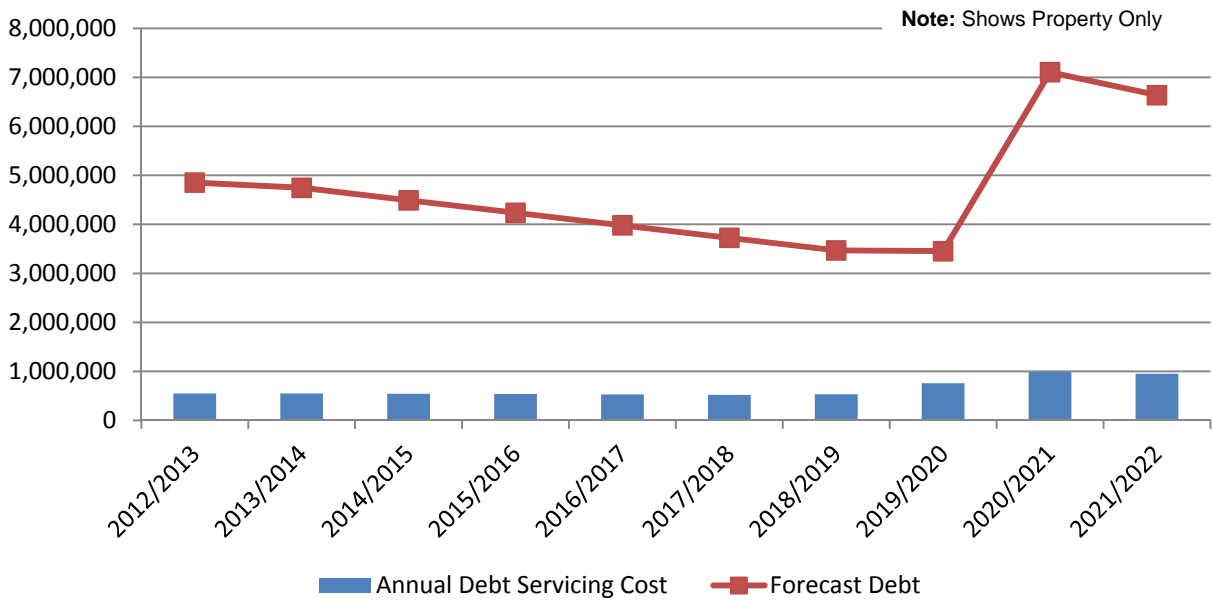


Figure10-5: Debt

- Council's debt associated with the Property activity shows an initial decreasing trend which is affected by the significant capital works planned for 2019/2020. Beyond this the debt continues to decrease.

Council are yet to complete a renewals strategy review for the Property activity. Once complete, this will allow Council to compare its investment in renewals with annual depreciation. This will be the first step to identifying if Council are adequately investing in renewal of its assets or if some assets are at risk of consumption.