

# 2015-2025 long-term plan

UP FOR  
DISCUSSION

CONSULTATION

DOCUMENT

  
**Invercargill**  
CITY COUNCIL



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# UP FOR DISCUSSION

Every three years the Council consults with residents and ratepayers over its 10-year plan for Invercargill and Bluff. Right now we are working on the 10-year plan for 2015-2025.

It is all about choices. We have tried to prioritise the key issues, decide how much we should spend, and how they should be funded. We have tried to balance the environmental needs of our community with the need to maintain our core infrastructure. We have also aimed for the funding of Council activities to reflect our ageing population, where an increasing portion of our community is on fixed incomes. This plan endeavours to provide high quality services, while minimising, as much as possible, the financial impact on ratepayers. Do you think we've got it right?

There are some infrastructure projects that the Council feels must be done. These are renewals at the Clifton Wastewater Treatment Plant, undertaking the Kennington Sewerage Scheme, replacing the asbestos cement water pipe network at a faster rate than previously expected because of its poor condition, and the Branxholme Pipeline replacement.

We are asking you to provide us with comment on projects which the Council feels need to be undertaken but there is some flexibility as to whether these projects occur, and when and how quickly they should be completed.

The Council currently has only one source of water supply and we would like your views on whether an alternative water supply should be investigated and developed; and when this should happen.

The Council is proposing to undertake a significant upgrade of its existing stormwater and sewerage pipe networks to prevent cross contamination between these two networks.

Roading is another area where we need your input. The New Zealand Transport Agency is cutting its co-investment with the Council for our roads. So just how much of this shortfall should we fund in future? What are residents and ratepayers willing to accept in terms of road quality?

Our footpaths are wearing out at a rate of approximately \$2.1 million a year. Do we need to keep funding them at this level? Or should we spend less?

The Council is proposing to extend Splash Palace to incorporate extra changing room facilities and a Fitness Centre. We would like to hear your views on this.

The Council is working with Environment Southland on its goal to improve air quality in the Invercargill airshed. We are concerned if people can no longer heat their homes with coal or wood, some of our most vulnerable residents will suffer in winter. We have agreed in principle to assist with home heating packages to help residents in most financial need to change to cleaner heating sources. What do you think?

We are also consulting on implementing our Playground and Parks Strategies. This will mean that there will be fewer but better equipped playgrounds. Surplus reserves and open space would be swapped or disposed of. This has already created debate in the community and the media - and now is the time for you to have your say on this.

Finally, there are two areas where we are recommending that work be deferred for reasons of affordability. These are a \$10 million project to find an emergency water source; and a \$6.74 million expansion of the Archives building. We think these should be delayed until the crucial infrastructure projects mentioned above are addressed. Do you agree?

There are big decisions to be made. We ask you to read the options in this document, fill out the attached submission form and send it in to us so your views can be considered when we are making our decisions.



Tim Shadbolt  
MAYOR OF INVERCARGILL



Richard King  
CHIEF EXECUTIVE

# Our future

UP FOR DISCUSSION

This is the Council's consultation document for its 2015-25 Long-Term Plan. It forms the basis of discussion between the Council and the community about issues facing Invercargill City over the next 10 years and how we propose to address them.

The Council's vision is to "Create an exciting, innovative, safe, caring and friendly city offering lifestyles based on a healthy environment and diverse, growing economy".

To achieve this vision, the Council and the community need to work together in partnership by agreeing on the key activities the Council should be carrying out and its priorities.

The Council receives regular feedback from residents and from this we understand the community's priorities are:

- Maintaining core infrastructure services
- Keeping the high quality of community facilities and services
- Ensuring our environment is protected
- Sustaining the city's business and social fabric
- Recognising the importance of rates affordability

Our challenge is to create a 10-year plan that meets the different priorities of our community and determines how we balance them against each other. Our priorities change as we age. Each generation uses our services and facilities differently and there is always a demand for new/upgraded facilities.

**Our population grew to 51,696 in 2013, up from 50,328 in 2006.**  
**The employment rate of Southland's population is 69%. (national average = 64%)**

**The gross domestic product for Southland rose 11% for the year ended March 2014.**

The Council provides many services to our community and we are not proposing to change the way most are funded or provided. These are not included in this consultation document.

There are some projects that the Council either has to do or has resolved to complete. See pages 21 and 22.

The Council is consulting on the areas where there is a change in the way services are provided, or there is a significant change in the timing of projects.

We have also deferred the Archives expansion project. This has been done to keep rates affordable. See page 23.

The Long-Term Plan will set out the Council's direction and commitments for the next 10 years. This is supported by the Financial Strategy which sets the overall direction for the Council's finances, and the Infrastructure Strategy which sets out the key infrastructural issues the Council is likely to face over the next 30 years.

The plan will be adopted after we receive and consider feedback on the key issues contained in this document.

# Key issues for discussion

UP FOR DISCUSSION

## Maintaining core infrastructure services

This is a key priority of the Council and accounts for 48% of our expenditure. Previous generations have invested in our infrastructure services, which means we enjoy a high level of service (for example our roads are smoother than the national average). We are, however, at a stage where a large proportion of our infrastructure networks are reaching the end of their useful life and need replacement.

The Council's core infrastructure services are water supply, stormwater disposal and sewage treatment, roading and footpaths.

Over the next 10 years the Council will maintain core infrastructure services at a level that meets increasing environmental standards and maximises each asset's life. The levels of service for roading and footpaths will reduce over the next 10 years. An extension of the sewerage network is proposed for Kennington.

The Council would like your views on the significant work it is proposing to undertake over the next 10 years in each of these core areas:

- Defer alternative water supply (See page 8)
- Upgrade Stormwater network (See page 9)
- Upgrade Sewerage network (See page 10)
- Increase ratepayer funding for Roothing (See page 11)
- Decrease Footpath renewals (See page 12)

How we will manage our core infrastructure assets over the next 30 years is detailed in the Infrastructure Strategy Summary. (See page 27).

## Keeping the high quality of community facilities and services

We are proud of the high level of community facilities and services available to our residents. The Council also funds other organisations to provide specialist community facilities, such as the Southland Museum and Art Gallery and Stadium Southland.

During the next 10 years we propose to make significant improvements to Splash Palace by extending the building to incorporate a gym and additional changing rooms. (See page 13)

## Ensuring that our environment is protected

The Council's core infrastructure services need to be managed in a way that meets increasingly high environmental standards (for example the Council holds resource consents associated with water supply and for the disposal of stormwater and treated sewage).

Air quality within the Invercargill airshed needs to be improved and the Council, in partnership with Environment Southland, is proposing to provide low-interest loans to assist householders. (See page 16)

Invercargill has a wealth of open spaces for the community to enjoy and we need to make sure that they are provided in the right places, with appropriate equipment for today's families. (See page 17)

### Sustaining our business and social fabric

The Council recognises that a prosperous business community is key to maintaining a strong social fabric, employment and community pride.

We see our role as facilitating a business-friendly environment which attracts businesses to locate and expand in our district (for example the Council's promotion of the Awarua Industrial Estate).

The CBD upgrade will create a positive, people-focused environment which will complement business and retail activities by attracting more potential customers into the area and encouraging them to stay longer. The Council is proposing to consult you on each precinct as it is developed from concept plan to detailed design.

The Council is working in partnership with community groups to support them in urban rejuvenation programmes aimed at strengthening the social fabric of their communities.

The Council also provides grants and events funding to organisations whose activities further strengthen our community.

### Recognising the importance of rates affordability to our community

The Council recognises that Invercargill's population is ageing and in the future the portion of our community that is aged over 65 will increase from 16% in 2013 to 20% in 2023 and 25% in 2033. This means that there will be an increasing number of ratepayers on fixed incomes.

We are careful with the way we spend the community's money to ensure that:

- We provide the level of service the community wants
- We undertake new projects which have community support
- We maintain our assets and programme their long-term maintenance and improvements

In developing this plan, we have placed the affordability lens over each activity to confirm that the current level of service and funding remains appropriate for the next decade. We also applied the lens to the total expenditure and then changed the priority of the projects.

**Council welcomes your feedback on these issues.**

The Council's debt equals 4% of its assets, which is equivalent to an \$9,800 mortgage on a \$245,000 home.

The Council has developed its budget, which will result in a 3.71% overall rates increase in 2015/16, and has considered the impact on people's rates. The table below details the rates revenue requirement over the next 10 years.

How we will achieve this over the next 10 years is detailed in our Financial Strategy. (Summary see page 25).

All figures in the Consultation Document are inflation adjusted.

Year	Rates change	Total rates requirement (\$'000) GST INCLUSIVE
2015/16	3.71%	54,039
2016/17	2.36%	55,313
2017/18	5.47%	58,340
2018/19	5.32%	61,444
2019/20	3.57%	63,641
2020/21	3.71%	66,003
2021/22	4.16%	68,752
2022/23	3.47%	71,140
2023/24	3.90%	73,914
2024/25	2.61%	75,840

## How can you participate?

### UP FOR DISCUSSION

The format of the Long-Term Plan has changed from what you may have seen in the past. This year the Council is required to provide you with a consultation document which identifies the key issues and possible options for you to consider. We need to take a 10-year view of how the district will develop and the priorities for Council spending.

This document is supported by a number of strategies and plans, which can be found on the Council's website - [www.icc.govt.nz](http://www.icc.govt.nz)

You can make submissions on the consultation document or the supporting strategies and plans by using the form in the middle of this booklet. If you have a different option for any of the issues that you think the Council should consider, please tell us.

The Council is also carrying out a separate consultation on its Fees and Charges for 2015/2016 and also on its Revenue and Financing Policy. You are welcome to make a submission on either or both of these. The outcome of these consultations will form part of the final Long-Term Plan 2015-2025.

Copies of the proposed Fees and Charges and the Proposed Revenue and Financing Policy are available at the Civic Administration Building, or at [www.icc.govt.nz](http://www.icc.govt.nz)

Submissions close at 5pm, Monday 25 May, 2015 for the Long-Term Plan Consultation Document, Fees and Charges and Proposed Revenue and Financing Policy.

# Priorities explained

UP FOR DISCUSSION

## Alternative water source

Council's Preferred Option	
Level of Service	Ratepayer
No change	\$ No change



The City has only one source of drinking water, the Oreti River at Branxholme.

Should this be disrupted, the City would be left with only two and half days' supply of water. In this event the Council would have to apply severe water restrictions, which would probably mean business and industry closures within the City. Even then, we would run the risk of running out of water, which would affect firefighting capability, the ability to flush away waste, and threaten the availability of drinking water.

The Council would like an alternative source as backup for emergencies but the estimated \$10 million cost is not affordable on top of increased expenditure on more critical infrastructure renewals.

The Council is proposing to delay the investigation and development of an emergency drinking water source until 2025/26, after the AC water pipe renewal programme starts to taper off.

### ***We have two options:***

#### ***Option 1:***

Carry out the work on the alternative water source.

#### ***Level of service:***

Improved as community has an emergency water source.

#### ***Cost to ratepayers:***

\$10 million on top of critical infrastructure renewals. To be funded by loan. Impact on rates will be \$46.47 per ratepayer year over the life of a 20-year loan. Concerns about affordability.

#### ***Option 2:***

#### ***The Council's Preferred Option***

Defer the work on the alternative water source until critical infrastructure renewals have been carried out.

#### ***Level of service:***

No change - the community does not have an emergency water source.

#### ***Cost to ratepayers:***

No increased cost in the interim.

# Stormwater

Council's Preferred Option	
Level of Service	Ratepayer
↑	\$ ↑



The stormwater network upgrade is a key priority because we need to maintain a high quality of stormwater discharge to comply with our resource consent conditions from Environment Southland. Our pipe network is old and allows infiltration of groundwater (which may be contaminated) into the system. The pipe capacity will be increased to alleviate potential flooding. A high percentage of the stormwater network is now over 100 years old, which is the assumed economic life of the pipes.

As renewals are closely linked to the age of the

asset, a significant portion of the network is due for replacement within the next 30 years.

Over the last 30 years, Council has been improving water systems to reduce flooding by installing large diameter mains but existing mains are now needing replaced.

The Council has begun funding from rates to renew ageing pipelines not previously upgraded and a start has been made on a renewal programme. (Option 1).

### ***We have three options:***

#### ***Option 1:***

Retain current expenditure on replacement of stormwater pipes.

#### ***Level of service:***

Will drop due to increased failure of pipes and potential flooding issues.

#### ***Cost to ratepayers:***

Maintain current level of spend of \$1.289 million per year.

Stormwater resource consent discharge conditions may not be met.

#### ***Option 2:***

#### ***The Council's Preferred Option***

Increased expenditure on replacement of stormwater pipes.

#### ***Level of service:***

Will increase due to replacement of the oldest pipes in the worst condition. There will be some reduction of cross- contamination of stormwater and sewage. The possibility of flooding will decrease owing to increased pipe capacity.

#### ***Cost to ratepayers:***

A cumulative increase on average of \$164,000 per year from \$1.289 million to \$2.439 million in 2021/22.

To be paid by rates, which would mean an increase per rateable property of \$7.90 in 2015/16 rising to \$55.43 in 2021/22.

#### ***Option 3:***

Increase expenditure in Option 2 by another 50% which would allow pipes to be replaced at a faster rate.

#### ***Level of service:***

Will improve at a faster rate by reducing cross-contamination of stormwater and sewerage networks, and the risk of potential flooding.

#### ***Cost to ratepayers:***

A cumulative increase on average of \$246,500 per year from \$1.289 million to \$3.014 million in 2021/22.

To be paid by rates, which would mean an increase of \$11.88 per rateable property in 2015/16 rising to \$83.14 in 2021/22.

# Sewerage

Council's Preferred Option	
Level of Service	Ratepayer
↑	\$ ↑



Sewage collection is a key Council service. The Council is proposing to increase expenditure to enable the replacement of sewer pipes and assets at the end of their life. The renewed sewer pipes will also reduce the level of sewage entering the stormwater system.

The sewerage pipe network in the Invercargill City area is ageing, with the oldest parts of the network now over 100 years of age, which is the assumed economic life of the pipes.

As renewals are closely linked to the age of the asset, a significant portion of the network is due for replacement within the next 30 years.

The Council has begun funding from rates to renew ageing pipelines, and a start has been made on a renewal programme. (Option 1).

### ***We have three options:***

#### ***Option 1:***

Retain current expenditure on replacement sewerage pipes.

#### ***Level of service:***

Will drop due to increased pipe failure and more blockages.

#### ***Cost to ratepayers:***

Maintain current level of spend of \$1.072 million per year.

An increasing risk of sewage entering the stormwater system and contaminating the waterways.

#### ***Option 2:***

#### ***The Council's Preferred Option***

Increased expenditure on replacement sewerage pipes.

#### ***Level of service:***

Will increase due to fewer pipe failures and blockages. There will be some reduction of cross contamination of stormwater and sewerage systems.

#### ***Cost to ratepayers:***

A cumulative increase on average of \$104,000 per year from \$1.072 million to \$1.802 million in 2021/22.

To be paid by rates, which would mean an increase of \$4.94 per rateable property in 2015/16 rising to \$34.58 in 2021/22.

#### ***Option 3:***

Increase expenditure in Option 2 by another 50% which would allow pipes to be replaced at a faster rate.

#### ***Level of service:***

Will increase due to a faster reduction of pipe failures, blockages and cross contamination of stormwater and sewerage systems.

#### ***Cost to ratepayers:***

A cumulative increase on average of \$156,000 per year from \$1.072 million to \$2.164 million in 2021/22 which would allow pipes to be replaced at a faster rate.

To be paid by rates, which would mean an increase of \$7.41 per rateable property in 2015/16 rising to \$51.87 in 2021/22.

# Roading

Council's Preferred Option	
Level of Service	Ratepayer
↓	\$ ↑



City roads are funded by the Council and the New Zealand Transport Agency. The New Zealand Transport Agency (NZTA) is decreasing its subsidy to the Council for roading projects. The 2015/16 subsidy is 60%, gradually decreasing to 51% by 2023/24. The Council is proposing to increase its rates funding to meet the shortfall.

There is also a gap in expectations between NZTA and ratepayers. NZTA has indicated that Invercargill roads are better than the national average and that we

should reduce our investment to use up some of the existing capacity of our roading asset.

So even with an increased level of ratepayer investment, the quality of our roads will slowly reduce as Invercargill moves closer to the national average by doing less work.

The community has told the Council that it wants to maintain its smoother roads, however the Council feels that this is not affordable.

### **We have three options:**

#### **Option 1:**

Don't increase ratepayer funding.

#### **Level of service:**

Less work can be done and our roads will worsen more quickly.

#### **Cost to ratepayers:**

No additional financial cost to ratepayers but residents will experience a larger deterioration in road quality.

#### **Option 2:**

#### **The Council's Preferred Option**

Ratepayer funding meets the gap left by NZTA.

#### **Level of service:**

Our roads will gradually move back to the NZ average.

#### **Cost to ratepayers:**

A cumulative increase on average of \$120,000 each year, from 2016/17 up to 2024/25 where the additional sum will be at \$1,202,000 per year thereafter.

To be paid by rates, which would mean an increase of \$3.79 per rateable property in 2016/17 rising to \$47.69 in 2024/25.

#### **Option 3:**

Further increase in ratepayer funding.

#### **Level of service:**

Our roads remain at the current level of service.

#### **Cost to ratepayers:**

There is likely to be a substantial increase in the rates required for roading. Any extra ratepayer expenditure would not attract extra funding from NZTA.

To be paid by rates.

**WE WILL PAY A LARGER SHARE OF A SLIGHTLY SMALLER PIE**

# Footpaths

Council's Preferred Option	
Level of Service	Ratepayer
↓	\$ ↓

Footpaths are important to our community. The Council calculates that every year approximately \$2.1 million of wear occurs on footpaths in the Invercargill City area. To keep them at the same standard, Council should spend this amount.

However, the Council is proposing to spend approximately \$1.24 million per year from rates for footpath renewals. This level of work would allow the percentage of "very poor footpaths" to gradually increase from 4% of footpaths to no more than 10% of the footpath length.

## Footpath Surface - Current Condition Rating



This means that where a road has two footpaths, only one will be maintained to a high standard. Pedestrians requiring a high standard footpath may need to cross the road.

If the Council is to underfund any asset, underfunding footpaths can be done at the lowest risk and has the highest visibility for future monitoring.

The Council is hoping to extend the life of the footpath asset beyond what had earlier been planned for and signalled in its Roding Asset Management Plan.

### We have three options:

#### Option 1:

Spend \$2.1 million a year.

#### Level of service:

Will remain the same.

#### Cost to ratepayers:

\$2.1 million, an increase of \$860,000 per year over Council's preferred option.

To be paid by rates which would cost \$110.92 per ratepayer in 2015/16.

#### Option 2:

##### The Council's Preferred Option

Spend \$1.24 million a year.

#### Level of service:

Will gradually decrease.

#### Cost to ratepayers:

\$1.24 million a year.

To be paid by rates which would cost \$65.50 per ratepayer in 2015/16.

#### Option 3:

Spend \$1 million a year.

Footpath deterioration and risk of asset failure increases to the point where footpaths could become unsafe.

#### Level of service:

Will decrease.

#### Cost to ratepayers:

Saving of \$240,000 per year over Council's preferred option.

To be paid by rates which would cost \$52.82 per ratepayer in 2015/16.

# Expansion at Splash Palace

## Council's Preferred Option

Level of Service	Ratepayer
↑	\$
	Nil



We propose to build an extension to the north-east of the facility, utilising currently unused green space. The plan retains the Russell Cushen and multi-purpose rooms and adds two changing rooms, as well as a slightly expanded café preparation and operation area and additional café seating. It will also incorporate a Fitness Centre (gym).

Pool usage is now 100 customers a day above original design levels, which is placing pressure on changing rooms and associated facilities. Improvements to these facilities will only occur if the Fitness Centre goes ahead.

The Council has estimated the capital cost to build the gym, additional changing rooms and Café / Foyer modifications at \$2,137,000.

This consists of the following costs:

-	Café and Foyer	\$177,000
-	Changing rooms extension	\$962,000
-	Fitness Centre extension	\$795,000
-	External works	\$203,000

The entire project is to be funded via a loan drawn down in 2015/16, with an annual debt servicing amount of approximately \$200,000 which will be paid for entirely from the operation of the gym. The proposal does not require rates funding.

The table below shows a financial analysis of a supplementary five-year forecast based on a very conservative model with an affordable market-based annual membership fee (indicatively \$700) and growth assumptions of 2%.

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	\$416,016	\$436,474	\$458,261	\$481,759	\$507,165
Expenditure	\$566,720	\$389,936	\$398,047	\$406,799	\$416,264
Surplus / (Deficit)	\$(150,704)	\$46,538	\$60,214	\$74,960	\$90,901

See opposite for a plan of the proposed expansion and development.

**Option 1:**

Do not build the extension (including the Fitness Centre).

**Level of service:**

Changing rooms and associated facilities remain inadequate for the current number of pool users.

Patronage may drop because of overcrowding of changing rooms and associated facilities.

**Cost to ratepayers:**

No additional financial cost to ratepayers.

**Option 2:**

**The Council's Preferred Option**

Build the extension (including the Fitness Centre).

**Level of Service:**

Increases for pool and gym users.

**Cost to ratepayers:**

No additional cost to ratepayer, as funded by user charges.

To be paid by loan, serviced and repaid over 20 years by user charges.

No rates funding.

# Splash Palace proposed expansion and development



# Clean Air – changes to home heating

Council's Preferred Option	
Level of Service	Ratepayer
↑	\$
	Nil

Environment Southland is putting rules in place that will improve air quality in the Invercargill and Gore airsheds. This will mean that households will need to move to more efficient and cleaner forms of heating.

The Council has agreed in principle to assist by providing a community home heating assistance package for those who most need financial help to change to cleaner home heating types.

It is proposed that the Council and Environment Southland will each contribute \$500,000 per annum to a pool of loan funds for a three-year trial period. People who take up the home heating assistance programme would be obliged to repay the loan via regular repayments. These repayments would then be added to the loan pool, allowing other people to participate.



The Council would administer the home heating assistance package. The Environment Southland contribution would be provided interest free, which would enable low interest loans to be made.

Invercargill City Council would collect the interest payable on its part of the loan. On completion of the home heating assistance programme both the Council and Environment Southland would have their capital contributions repaid.

***We have two options:***

***Option 1:***

Do nothing.

***Level of service:***

No financial assistance toward the home heating assistance programme.

***Option 2:***

***The Council's Preferred Option***

\$500,000 available for home heating assistance programme.

***Level of service:***

A low interest loan would be available to assist people to change to cleaner home heating.

***Cost to ratepayers:***

To be funded by loan that will be serviced by user charges.  
No rates funding.

# SUBMISSION FORM

UP FOR  
DISCUSSION

2015-2025  
long-term plan

CONSULTATION DOCUMENT

## Submitter Details

FIRST NAME	<input type="text"/>	SURNAME	<input type="text"/>
ORGANISATION	<input type="text"/>	POSTAL ADDRESS	<input type="text"/>
<i>(if appropriate)</i>	<input type="text"/>		<input type="text"/>
PHONE (daytime)	<input type="text"/>		POSTCODE
EMAIL	<input type="text"/>	DATE	<input type="text"/>
IF NON-RESIDENTIAL RATEPAYER, PROPERTY(IES) LOCATED IN	<input type="text"/>	SIGNATURE	<input type="text"/>

## Returning your submission

**Return by 5pm, Monday, May 25.**

**Deliver to:**

Civic Administration Building  
101 Esk Street  
Invercargill

**Email to:**

policy@icc.govt.nz

**Post to:**

Freepost ICC  
Submission LTP  
Invercargill City Council  
Private Bag 90104  
Invercargill 9840

## Presentation of submission

*Please tick as appropriate. If neither of the boxes is ticked, it will be considered that you do not wish to be heard.*

- I wish to speak to the Mayor and Councillors about my submission.
- I do NOT wish to speak in support of my submission and ask that the following written submission be fully considered.

## SUBMISSION DETAILS

*If you have a different option for any of the issues that you think the Council should consider, please tell us.*

## TIPS FOR MAKING AN EFFECTIVE SUBMISSION

- Head each of your topics with a title so we clearly know what issue you are submitting on. Make it clear what you are supporting or opposing and give reasons why.
- Bullet points help you form ideas clearly and are easy for the Mayor and Councillors to read.
- Dark coloured pens make it easier to read and copy your submission.

**Please note:** Submissions received on the Proposed 2015-2025 Long-Term Plan will be made available to the public as required by the Local Government Act 2002 and subject to the Local Government Official Information and Meetings Act 1987. This will include the name and address of submitters.













UP FOR  
DISCUSSION

**IS THERE ANYTHING ELSE YOU THINK SHOULD BE A PRIORITY FOR THE COUNCIL?**

COMMENTS ON THE COUNCIL'S FEES AND CHARGES AND/OR REVENUE AND FINANCING POLICY:

(AVAILABLE AT THE CIVIC ADMINISTRATION BUILDING OR AT [www.icc.govt.nz](http://www.icc.govt.nz))

OTHER PROPOSALS YOU SUPPORT/OPPOSE AND/OR WOULD LIKE THE COUNCIL TO CONSIDER:

Lined writing area for council priorities and proposals.

*Include extra pages if you wish.*

# Changing use of open spaces

Council's Preferred Option	
Level of Service	Ratepayer
↑	\$ No change



Invercargill City has a large and well-distributed parks network. Over time, 81 playgrounds have been established to provide play opportunities for the young residents of the city and for families visiting Invercargill. Providing play opportunities is important in creating healthy lifestyles and giving opportunities for children and caregivers to enjoy Invercargill's public spaces.

Some parts of the city have relatively low provision of playgrounds in the local neighbourhood, while other parts of the city have a large number of playgrounds. Overall, Invercargill has 7.9 playgrounds for every 1,000 children residing in the city, which is well above the national median of 3.9.

There are opportunities to provide excellent play areas in a more effective and efficient manner. We are proposing to provide better playground equipment in areas of need and rationalise the number of playgrounds where there are overlaps with playgrounds provided at schools, or where a number of playgrounds are close together.

The Council adopted the Playground Strategy in 2014. It recommends the construction of two new playgrounds and the upgrade of 56 others. It is proposed to disestablish 25 playgrounds over the next 20 years. Disestablishment will involve removing the playground equipment from the park. Although the playground equipment will be removed, the park will be maintained as green space for recreation.

The following playgrounds are recommended for disestablishment:

Removal of Play Equipment	
Arun Crescent Playground	O'Byrne Street Playground
Baxter Street Playground	Ottrey Street Playground
Brown Street Playground	Queens Drive Waihopai Bridge Reserve Playground
Conway Crescent Playground	Racecourse Road Playground
Derwent Crescent Playground	Rockdale Park Playground
Elizabeth Park East Playground	Talbot Street Reserve Playground
Elizabeth Street Playground	Tanner Street Playground
Iona Playground	Town Belt - Otepunu Gardens Playground
JG Ward Reserve Playground	Town Belt - Otakaro Park Playground
John Street Reserve Playground	Tweed Street Playground
Matua Road Reserve Playground	Waiau Crescent Playground
Newbie Street Playground	Wicklow Street Playground
Newfield Park Playground	

**Option 1:**

All current playgrounds retained with current play equipment.

**Level of service:**

No change.

**Cost to ratepayers:**

No change.  
Rates neutral.

**Option 2:**

**The Council's Preferred Option**

Fewer playgrounds with more diverse play items.

**Level of service:**

Improved quality of playgrounds.

**Cost to ratepayers:**

No change.  
Rates neutral.

## LAND CONSIDERED FOR DISPOSAL AND EXCHANGE

The 2013 Parks Strategy recommends the disposal and exchange of some reserves.

Some parks are poorly located, or are not fit for purpose.

### Land Considered For Disposal

Chesney Street Reserve	Myross Bush Reserve
Elizabeth Street Reserve	Newfield Park (part)
Grasmere Domain	Rockdale Park (part)
JG Ward Reserve (part) and 38 Suir Street (adjoins JG Ward Reserve)	Teviot Street Reserve
Makarewa Local Purpose Reserve	Tisbury Reserve (part)
Mason Road Reserve	Vernon Street Reserve (part)
McMillan Street Reserve (part)	Woodend Reserve
Mokomoko Road Reserve	Woodend - Blyth Reserve
Myers Reserve (part)	

Avon Road Playground  
Frome Street Playground  
Ottrey Street Playground

One of the three for disposal

## Land considered for Exchange

Glengarry Crescent land

Lake Hawkins Wetland Reserve (part)

It should be noted that land acquired for public purposes under various Acts of Parliament, including all land derived from the Crown, must undergo a statutory process before disposal can occur.

### ***We have two options:***

#### ***Option 1:***

The land identified for disposal and exchange is retained.

#### ***Level of service:***

No change.

#### ***Cost to ratepayers:***

No change.

Rates neutral.

#### ***Option 2:***

#### ***Council's Preferred Option***

Disposal or exchange of land is completed.

#### ***Level of service:***

Enhanced through optimal use of parks and reserves.

#### ***Cost to ratepayers:***

Proceeds from sale or exchange used to enhance and/or maintain Council's parks and reserves.

Rates neutral.

# Projects which Council must complete

## Clifton Wastewater Treatment Plant

A major renewal project at the Clifton Wastewater Treatment Plant is planned for 2015/16.

The programme is to replace the lids on two of the three digesters. The plant influent screens, which have worn out, will be replaced and an additional screen installed to remove fibrous material from sludge. This will improve screening and minimise the risk of odour.

The budgeted cost of this project totals \$1,739,000, to be funded by loans. This will be a 20-year loan, with repayments costing \$7.60 per ratepayer in 2016/17.



Maintaining core  
infrastructure services

## Kennington Sewerage Scheme

The Council has included a \$1 million loan in its Sewerage Activity budget for the public reticulation of the Kennington community, including connections to each property boundary.

On-site costs to connect to the system and upgrade house drainage systems, if necessary, will be additional and at the cost of individual property owners. The Long Term Plan proposes that the

Council will fund 63% of the budgeted cost and property owners be required to contribute the remaining 37% of the cost. This would be consistent with the funding split for the Moore Road sewerage extension undertaken in 2005.

This will be a 20-year loan, with repayments costing \$2.75 per ratepayer from 2016/17.

Ensuring that our  
environment is protected

## Water supply

Asbestos cement pipes form approximately 50% of the water pipe network and were installed from the late 1950s to the late 1980s. When they were installed it was assumed that they would last for about 65 years and their gradual replacement was planned to start in 2015.

In 2014 there were 28 failures of asbestos cement pipes. This means that businesses and residents can be without a water supply while the pipe is being fixed and the cost of a failure can be up to \$30,000.

Samples of pipe have been taken to assess their condition and life expectancy. The results indicate that there is approximately \$22 million worth of pipe that may be near or close to failure.

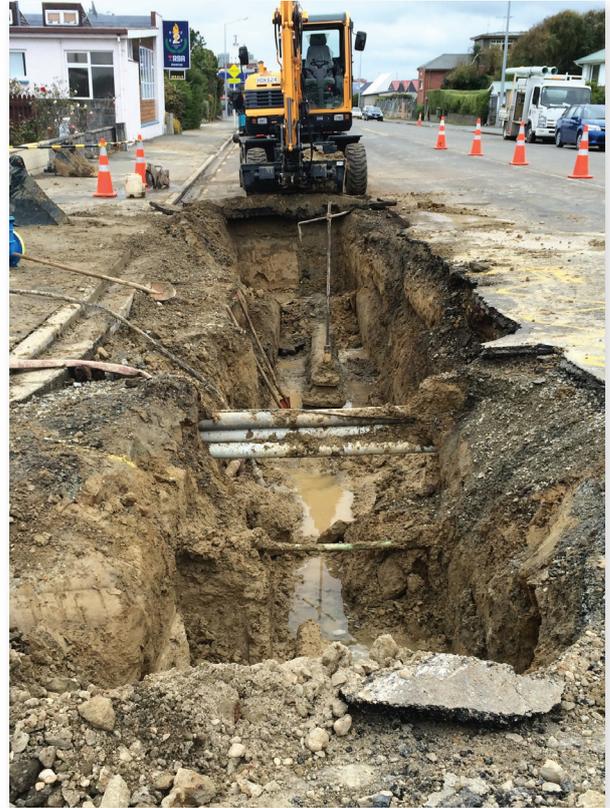
Council has a plan to bring forward the replacement of these pipes and increase the amount replaced each year. It is anticipated that by 2024 the pipes that have reached the end of their life will have been replaced.

Council accepts that with respect to data confidence and uncertainty, more investigation into the condition of the pipe network is necessary. Due to the uncertainty there is the potential for a variation to financial forecasts in the range of 20 up to 30%.

If the actual costs of replacement vary significantly from the \$22 million estimate, the Council will consult the community on possible funding options.

We fund the renewal of reticulation pipes from rates because it is considered to be maintenance of the network and occurs on an annual basis.

The timing of the replacement of the Branholme mainline between 2020/21 and 2022/23 remains unchanged.



Should the condition of the original Branholme pipeline be found not to align with its expected 65-year life, then the replacement programme will be reviewed, with adjustments made with respect to priority and affordability.

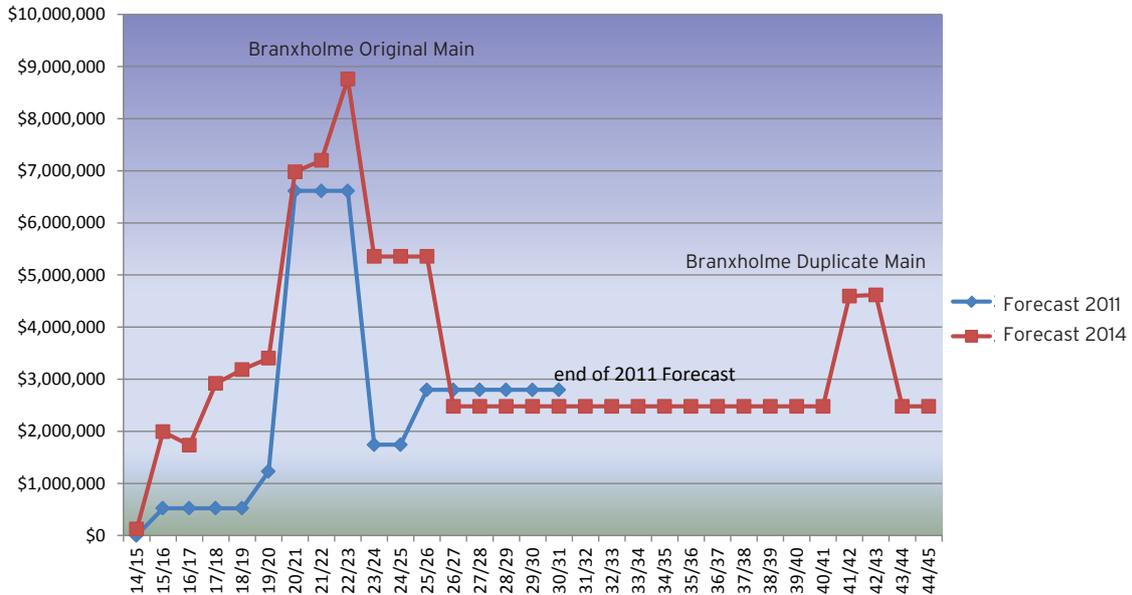
This will cost a total of \$55 million (which includes planned renewals and those assessed as close to failure) between 2015/16 and 2024/25. \$43 million is funded directly from rates. This will cost ratepayers an average of \$215.88 each year.

The remaining \$12 million is funded by loans over a 20-year period, which will cost ratepayers an average of \$55.80 each year.

These costs total \$271.68 a year.

Water rates are set to increase by an average of 6.7% over the 10 year period.

### Asbestos Cement Watermain Renewals Inclusive of Branholme Pipeline Replacement (uninflated)



## Projects deferred for affordability reasons

UP FOR DISCUSSION

### Archives building expansion

The Council is proposing to delay a \$6.74 million expansion of the Archives building until the 2025/26 year to ensure the overall burden of rates remains affordable. The Archives building expansion has been deferred from its original proposed timing of 2016/17 to ensure that the cost to ratepayers remains affordable. The Council accepts that the change in timing may result in the Archives building being full prior to the expansion being started.



Keeping the high quality of community facilities and services

# Impact on your rates

UP FOR DISCUSSION

Rating valuations were reviewed in 2014. This has resulted in a change in value of most properties in the district. Although the proposed overall rates increase is 3.71%, based on the Council's preferred options, many properties will have a rates change different to this.

The table of Rating Change below shows some examples of different properties, their valuation change and the impact this has had on the rates payable by the ratepayer.

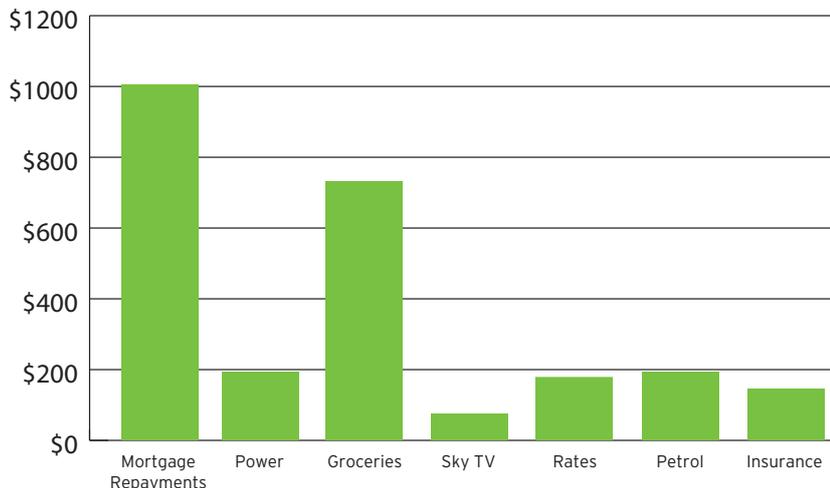
**Table of Rating Changes**

Type of Property	Rateable Value (Current) \$	Rateable Value (Proposed) \$	Rates 2014/15 \$	Rates 2015/16 \$	\$ Change Annual	\$ Change Weekly
Residential	111,000	109,000	1,559.50	1,619.80	+60.30	+1.16
Residential	240,000	245,000	2,082.72	2,187.10	+104.38	+2.01
Residential	485,000	520,000	3,076.41	3,334.60	+258.19	+4.96
Residential	690,000	700,000	4,076.62	4,259.60	+182.98	+3.52
Commercial	720,000	690,000	5,700.57	5,723.10	+22.53	+0.43
Commercial	1,150,000	1,100,000	8,652.29	8,410.70	-241.59	-4.65
Commercial	2,475,000	2,500,000	14,189.28	13,866.20	-323.08	-6.21
Farms	950,000	1,140,000	2,037.23	2,383.10	+345.87	+6.65
Farms	1,975,000	2,345,000	4,106.75	4,891.40	+784.65	+15.09
Farms	4,700,000	5,550,000	8,829.15	10,347.00	+1,517.85	+29.19
Lifestyle	205,000	210,000	1,114.37	1,166.70	+52.33	+1.01
Lifestyle	310,000	316,000	1,414.45	1,464.90	+50.45	+0.97
Lifestyle	610,000	540,000	2,470.00	2,272.40	-197.60	-3.80

The Average Monthly Bills chart below illustrates the cost of rates per month in comparison to other regular household expenses.

This is an indicator of rating affordability. The information is based on a three bedroom home in the Invercargill City area valued at \$245,000.

**Average Monthly Bills**



Recognising the importance of rates affordability to our community

# Financial Strategy Summary

UP FOR DISCUSSION

The Council's Financial Strategy details the way the finances will be managed over the next 10 years.

To implement the Long Term Plan, the following goals drive the budget process:

- Increase debt levels from \$47 million in 2015 to \$57 million in 2021 to fund significant non-regular infrastructure renewals. After 2023 debt repayments will be greater than debt raised (Chart 1) which means that the debt will decrease.
- A maximum debt level (as a % of assets) will not exceed 15%. This provides the Council with a buffer to allow it to respond to unexpected events. (Chart 2)
- Maintain rates income between 50-60% of Council revenue. (Chart 3)
- Maximum rates increase is Local Government Cost Index LGCI plus 3%. The LGCI reflects the increased annual cost of the Council's operations. The rates increases reflect the money required each year. It is not Council's practice to rate more than it needs one year (and put that money aside for the following year) to reduce the next year's rates increase." The additional 3% enables Council to fund infrastructural renewal costs. (Chart 4)
- The Council will receive an increasing dividend from Invercargill City Holdings Limited. For 2015/16 ICHL is budgeting to provide a dividend of \$4.7 million to offset rates. This is approximately 9% of the estimated rates requirement. (Chart 5)

To further support this direction, the Council will:

- Control the expansion of the infrastructure network in line with other Council strategic documents, including the District Plan.
- Use rates to fund operating expenses, short-life assets and regularly occurring renewals.
- Use loan funding for new long-life assets. This means that future communities will contribute towards the cost of the infrastructure through loan payments.

(Intergenerational equity). The Council considers that the water pipe network is not lasting as long as expected, and is planning to replace the asbestos cement water distribution network over a number of years. Major projects such as this could be loan funded. However Council considers that due to the overall economic cost of loan funding, funding through rates revenue is more cost effective for both current and future ratepayers, where it is undertaken on an annual basis.

- Encourage cost savings and efficiencies within the organisation through a staff innovation programme.

This plan anticipates the development of the Awarua Industrial Estate. It will be developed with supporting infrastructure using a user-pays model.

The Council is required to develop budgets where income equals expenditure. Over the next 10 years there will be three years where we will not be achieving this.

We are doing this for three reasons:

1. To manage the level of rates increases over the 10 years by avoiding significant fluctuations.
2. To trial underfunding the footpaths expenditure, which is an asset where the standard can be easily assessed and rectified if necessary.
3. The one-off \$4 million grant towards the redevelopment of the Southland Museum and Art Gallery will be funded by loan rather than rates.

The Council is taking this approach because we are in a healthy financial position and we are confident that we are managing capital expenditure to provide our community with the most cost effective solution. Council will be in a small profit position at the end of the 10 years.

Chart 1: Forecast Debt Profile 2016 - 2025

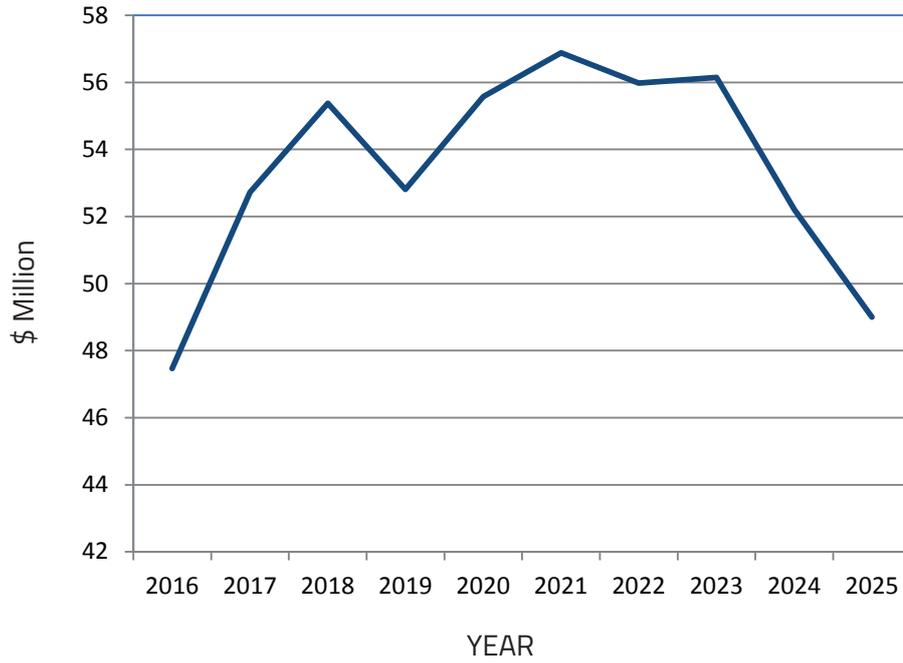
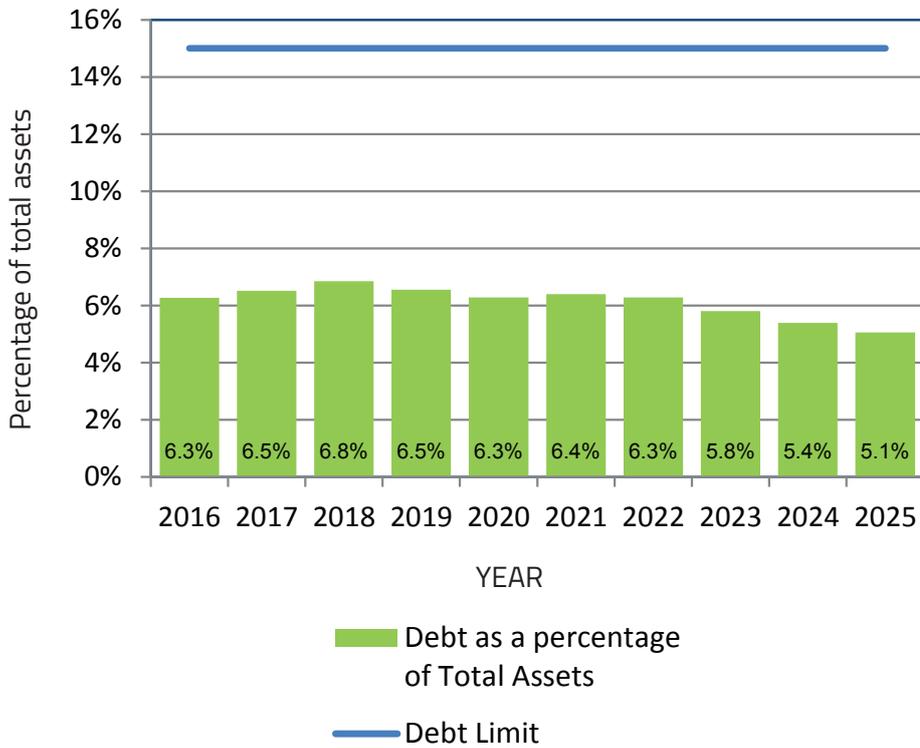


Chart 2: Debt Affordability Benchmark 2016 - 2025



Recognising the importance of rates affordability to our community

Chart 3: Rates (Income) Affordability Benchmark 2016 - 2025

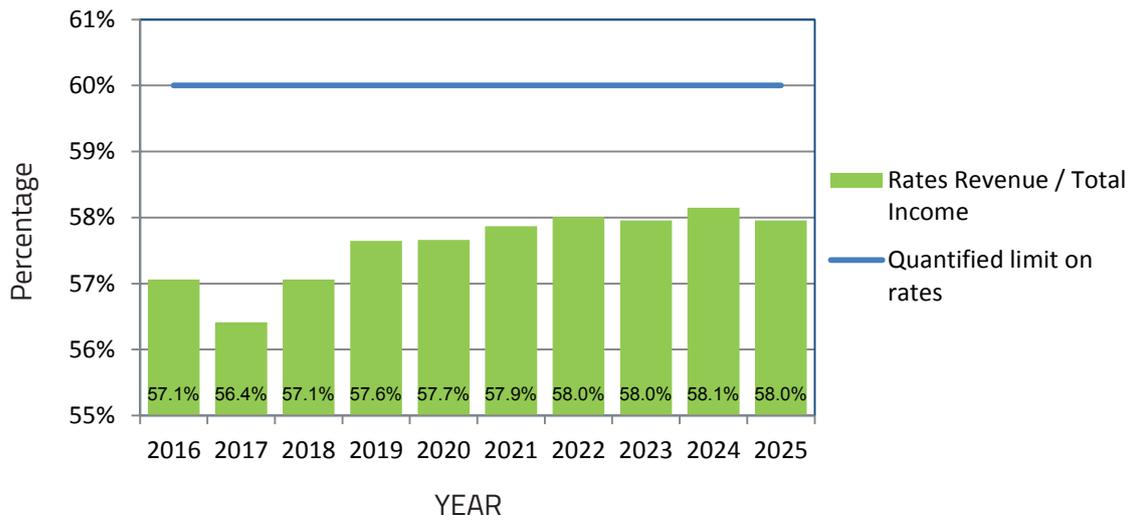


Chart 4: Total Rates Increase Benchmark 2016 - 2025

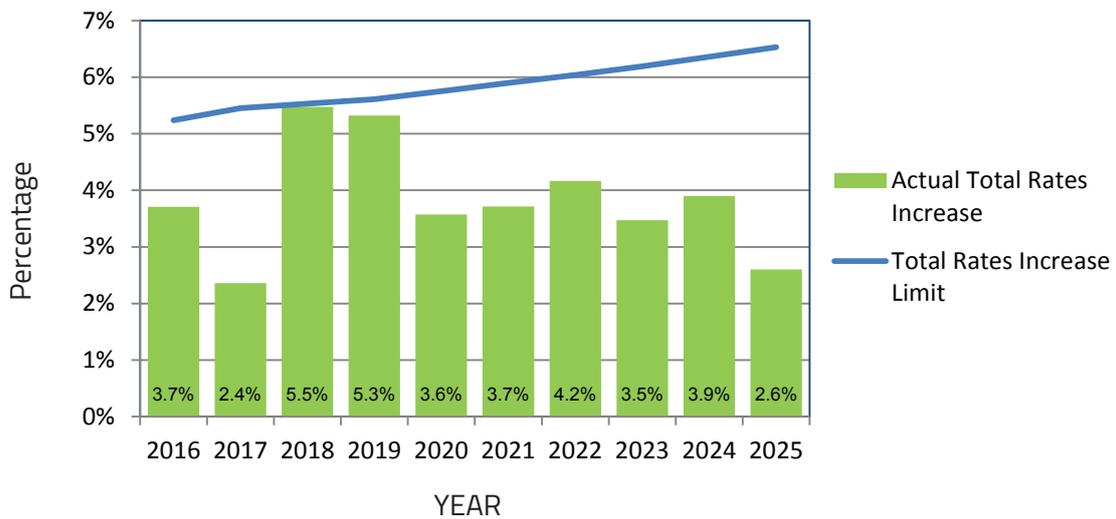
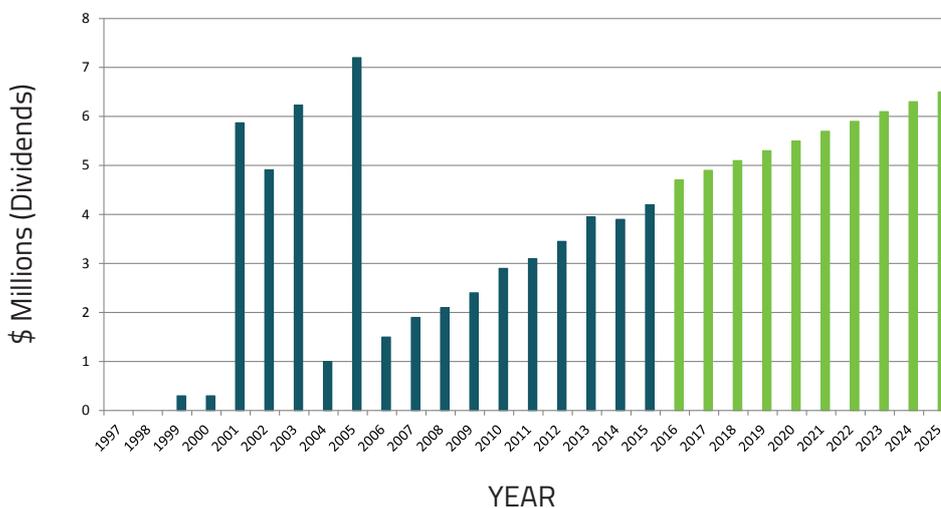


Chart 5: Invercargill City Holdings Group Dividends 1997 - 2025



Blue is historic dividends / Green is proposed future dividends



# Infrastructure Strategy Summary

UP FOR DISCUSSION

The Council's strategy is to provide infrastructure that is fit for the next 30 years and beyond.

In order to do this, while keeping rates as affordable as possible, projects that can be delayed have been moved into later years so that more urgent work can proceed.

Some parts of the city's infrastructure need to be renewed sooner than previously thought and the Council intends to start on the critical components of this work immediately.

The Council calculates depreciation amounts in line with accepted practice and uses these as a method to calibrate spending on infrastructure. In theory, the depreciation amount over the life of an asset should equal its replacement cost. In practice we find that for long-life assets the depreciation amount is not a reliable guide, particularly when the asset is new, but is a useful yardstick when the asset is old. By aiming to catch up with depreciation, residents can be reassured that our infrastructure renewal budgets are adequate.

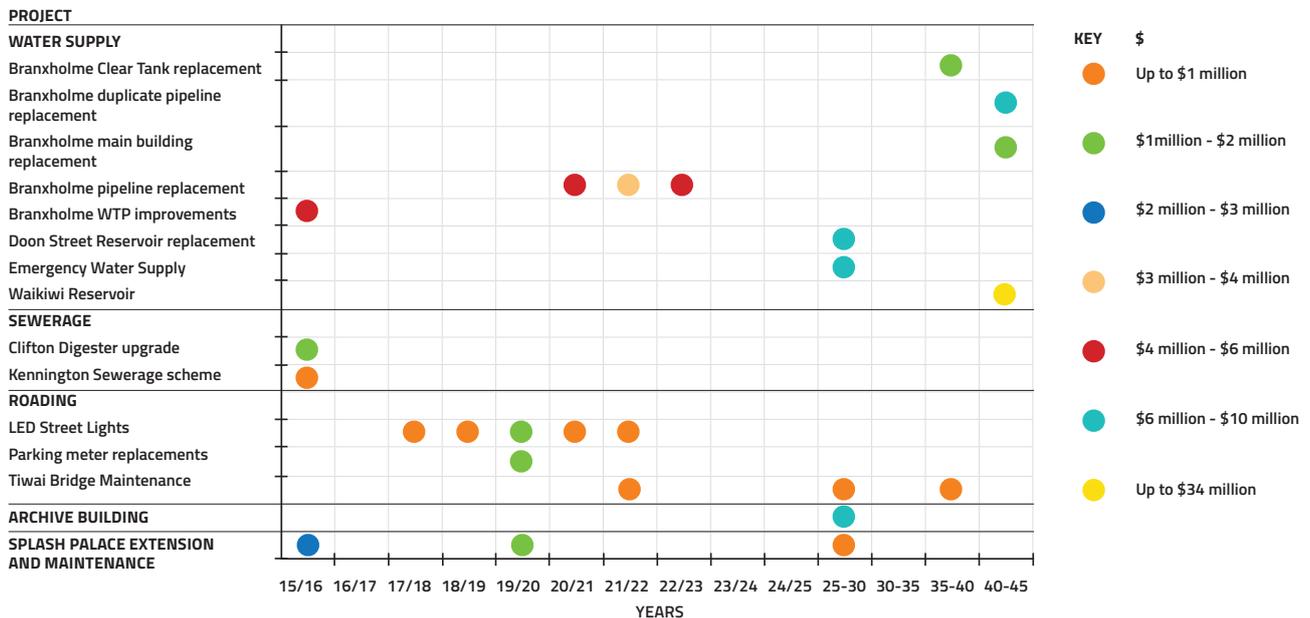
The Council has experienced asset management practitioners who have a detailed knowledge of their assets. The Asset Management Plans prepared

for each infrastructure asset include a continuous improvement programme and are assessed by independent peer reviewers as fit for purpose. The Council has acknowledged that it is difficult to accurately assess the condition of the Council's underground utilities and this has been considered in developing the Asset Management Plans. The Council will continue to develop and improve the quality of our asset data and this improvement will be ongoing for the life of the strategy. More information about data reliability is contained in Council's Infrastructure Strategy, available on Council's website. [www.icc.govt.nz](http://www.icc.govt.nz)

The Council has made the following assumptions:

- That there will be gradual positive growth in the Invercargill and Southland economy but growth will be accommodated within the existing network.
- That population growth will remain positive and that we will have a population of 53,400 (based on Statistics New Zealand projections) by 2031.

### Loan Funded Capital Spends for Maintaining Core Infrastructure Services



- That the impact of climate change on the District will be minimal in the next 10 years and that while rainfall will increase, the intensity of a storm will not be greater than the current design standards and the piped stormwater network will continue to deliver the necessary levels of service.
- That the Council will continue to hold discharge resource consents for the Sewerage and Stormwater activities and that the conditions of the new consents will not be significantly different from current consents.
- That the Council's revenue will meet the gap in funding caused by the decreasing NZTA subsidy.
- That there will be no major catastrophes that impact on the district.

Adoption of this strategy will result in a number of changes to the levels of service provided by the Council. The renewal work proposed for the Council's Water Supply, Stormwater and Sewerage activities will result in an increase in the level of service provided. However, the decrease in external funding from NZTA will result in a decline in the service level of the roading network, and affordability considerations will result in a decline in the standard of the Council's footpaths.

The Auditor-General has recently prepared a report which questions whether councils have historically been investing enough in infrastructure, whether the looming financial burden of renewals has been adequately recognised, and whether the capacity to get the work done will be available when needed.

For the 30-year strategy, the Council has moved to increase the rates of spending on core infrastructure, and is fully aware of the implications of renewing aged networks. This plan is predicated on the assumption that the Council will be able to train or procure the workforce to deliver the plan over the next 30 years.

Council views this assumption as reasonable and attainable, based on previous experience with the contracting industry and the ability to work with the market to build up capacity.

## Independent auditor's report on Invercargill City Council's Consultation Document for its proposed 2015-25 Long-Term Plan

I am the Auditor-General's appointed auditor for Invercargill City Council (the Council). Section 93C of the Local Government Act (the Act) requires an audit report on the Council's consultation document. I have carried out this audit using the staff and resources of Audit New Zealand. We completed this audit on 24 April 2015.

### Opinion

In my opinion:

- the consultation document provides an effective basis for public participation in the Council's decisions about the proposed content of its 2015-25 long-term plan, because it:
  - fairly represents the matters proposed for inclusion in the long term plan; and
  - identifies and explains the main issues and choices facing the Council and district, and the consequences of those choices; and
- the information and assumptions underlying the information in the consultation document are reasonable.

### Basis of Opinion

We carried out our work in accordance with the Auditor-General's Auditing Standards, relevant international standards and the ethical requirements in those standards.<sup>1</sup>

We assessed the evidence the Council has to support the information and disclosures in the consultation document. To select appropriate audit procedures, we assessed the risk of material misstatement and the Council's systems and processes applying to the preparation of the consultation document.

We did not evaluate the security and controls over the publication of the consultation document.

### Responsibilities of the Council and auditor

The Council is responsible for:

- meeting all legal requirements relating to its procedures, decisions, consultation, disclosures, and other actions associated with preparing and publishing the consultation document and long-term plan whether in printed or electronic form;

<sup>1</sup> The International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and The International Standard on Assurance Engagements 3400: *The Examination of Prospective Financial Information*.

- having systems and processes in place to provide the supporting information and analysis the Council needs to be able to prepare a consultation document and long term plan that meet the purposes set out in the Act; and
- ensuring that any forecast financial information being presented has been prepared in accordance with generally accepted accounting practice in New Zealand.

I am responsible for reporting on the consultation document, as required by section 93C of the Act. I do not express an opinion on the merits of any policy content of the consultation document.

## Independence

We have followed the independence requirements of the Auditor-General, which incorporate those of the External Reporting Board. Other than our work in carrying out all legally required external audits, we have no relationship with or interests in the Council or any of its subsidiaries.



Ian Lothian  
Audit New Zealand  
On behalf of the Auditor-General  
Christchurch, New Zealand



Cover photograph:  
Findlater Photography,  
Invercargill

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CONSULTATION

DOCUMENT