

invercargill introduced



In 2013 the Invercargill District had a total population of 51,696. This is a 2.7% increase on the 2006 population. According to Statistics New Zealand (October 2012 update) a District population of 53,400 (medium projection) is estimated by 2031.

The District's median age is 39.2 years - the New Zealand median age being 38 years.

Most residents (91%) were born in New Zealand.

Home ownership in the Invercargill District (70.4%) is higher than New Zealand.

Invercargill houses are older with only 13% having been built since 1980.

Personal income is increasing, with the median income in Invercargill increasing 24% from 2006.

Invercargill City's regional performance growth ranking for 2012 was 39. The ranking is developed by BERL (Business and Economic Research Limited) for all

local authorities with 1 being the local authority with the greatest growth and 66 the lowest. The ranking includes changes in population, employment, GDP and business units.

Extending from Makarewa in the north to Bluff in the south, Kennington in the east and Oreti Beach in the west, the Invercargill district encompasses an area of 49,142 hectares. Landscape features of importance to the community include Bluff Hill (Motopuhue) and an extensive network of waterways which bisect the District. The urban areas of Invercargill and Bluff contain extensive areas of open space as well as distinct heritage buildings.

The District's coastal location provides a mild climate with long summer daylight hours and defined seasonal variations. The average annual temperature is 9.9°C with 1,614 sunshine hours. Rainfall averages 1,112mm/year and is spread evenly throughout the year.

council vision

Creating an exciting, innovative, safe, caring and friendly City offering lifestyles based on a healthy environment and diverse growing economy.



mayor's comment



Once again I would like to thank the 219 residents and ratepayers who took the time and effort to make submissions to our Long-Term Plan. It is difficult for Council to envisage

the challenges we will face in the future so we rely very much on the views and predictions of our local community. We have made a real effort to encourage people to engage with Council's plans. In previous years we have held traditional public meetings in cold, drafty community halls and very few people attended. This year we decided to build a consultation caravan and park it in shopping centres or outside events. If the people weren't coming to us then we would go to the people. This innovative approach worked well and stimulated a lot of interest. We also developed an online ICC-TV and posted a Consultation magazine to every home in Invercargill and Bluff. This year Council has tried to deal with some unpopular issues such as the rationalisation of local parks. Except for Makarewa many communities may believe we have ignored their submissions to save several local parks. Let me assure you this is not the case. The wheels of local government move with considerable caution. We will not be ripping out swings or slides and putting up for sale signs next week. Council

has allowed plenty of time for further discussions and negotiations before any action is taken. Other submitters such as the Awarua Communications Museum may feel aggrieved that after making a \$50,000.00 contribution to the establishment of this important heritage development, Council has now decided not to contribute to the running costs. Let me assure you we are not a flip flop Council. We still support the project but believe the operational costs should come from the Regional Heritage Fund. I believe Councillors have tried their very best to be fair and balanced but it's difficult to achieve justice when dealing with a property tax. Other factors that are almost impossible to plan for involve issues over which Council has very little control. The legislation resulting from the Christchurch earthquakes, the Richardson Truck Museum, new safety regulations, the price of milk and the future of the smelter are just a few examples of 'the great unknowns' that could have a profound negative or positive impact on our city. This Long-Term Plan is an honest attempt to focus on economic development, financial challenges, and infrastructural requirements we will inevitably have to face.

A handwritten signature in black ink, which appears to read 'Tim Shadbolt'. The signature is fluid and cursive.

Tim Shadbolt
MAYOR OF INVERCARGILL

chief executive's comment



Thank you to those people who submitted their views on proposals for the Council's 2015-25 Long-Term Plan. This feedback is crucial to letting the Mayor, Councillors and staff know whether people think the

direction Council is taking is the right one.

Now, having read more than 1,000 pages of submissions and listened to speakers' comments, Council has made its decisions on the key issues and projects identified in the Consultation Document. We have also made decisions on other matters raised by submitters during the consultation process.

Councillors with the support of staff have tried to balance affordability for ratepayers with the need to maintain core infrastructure and the environmental needs of our community.

The overall effect of these decisions is a 3.89% increase in rates for the 2015/16 year.

A large part of Council's consultation centred on the city's infrastructure - greater expenditure on replacement of the water, stormwater and sewerage pipes; increasing ratepayer funding for roading to meet the gap left by the decreasing New Zealand Transport Agency subsidy; and decreasing spending on footpaths; deferring work on an alternative water source until 2025/26 after critical infrastructure renewals will be carried out, but also providing \$190,000 for an aeromagnetic geological survey.

There were three subjects about which submitters were particularly passionate: the proposed expansion of Splash Palace, Clean Air - Changes to Home Heating; and the Changing Use of Open Spaces.

Most submitters supported the expansion at Splash Palace, although a number of submitters did not wish to see a gym incorporated in the design. As the entire project is based on a user pays model, the revenue from the gym will also pay for the changing rooms and

other extensions. Without the gym, the changing rooms would need to be paid for from rates at a cost of over \$960,000. Therefore Council decided to undertake the expansion, including the fitness centre, following the consideration of a business plan that will also consider the impact on private enterprise gym providers.

With the Clean Air changes proposed by Environment Southland, most submitters were in support of Council providing funding for a home heating assistance programme. Many submitters raised the need for insulation and income testing to be included and these concerns will be taken into account when Council develops the criteria for the programme. Council decided that it would make \$500,000 available for a home heating assistance programme.

Council's proposal to disestablish some playgrounds and to dispose of, or exchange, some reserves saw submitters divided. Many submitters requested that their local playground be retained. However, a large number of submitters opposed the disposal of the Makarewa Local Purpose Reserve. Council decided to continue with the process to disestablish some playgrounds, assessing each on a case-by-case basis; remove the Makarewa Local Purpose Reserve from the disposal list and reassess it in future if the Playcentre ceases to operate on the site; and continue with the process to dispose of or exchange other reserve land.

Council's full operational plan for 2015-25, including budgets, is detailed in this document. The aim is to continue working towards Council's Vision: "Creating an exciting, innovating, safe, caring and friendly City offering lifestyles based on a healthy environment and diverse growing economy."

Richard King
CHIEF EXECUTIVE OFFICER

elected representatives



Tim Shadbolt
MAYOR
03 211 1672

The Invercargill City Council is chosen by the Invercargill public in elections held every three years. The last election was held in October 2013; the next will be in 2016. The Council consists of the Mayor and 12 Councillors and its role is to provide and maintain services and amenities for the public of Invercargill. The Council is chosen by electors (the Invercargill public) to govern the City's affairs, such as making decisions on spending, priorities and policies.

Here's how you can contact your Councillors:



Lindsay Abbott
027 290 1142



Rebecca Amundsen
027 225 2664



Karen Arnold
03 217 9360



Neil Boniface
03 217 0405



Alan Dennis
027 274 4513



Lloyd Esler
03 213 0404



Peter Kett
027 437 7420



Graham Lewis
021 676 647



Darren Ludlow
DEPUTY MAYOR
03 215 4777



Ian Pottinger
03 217 4579

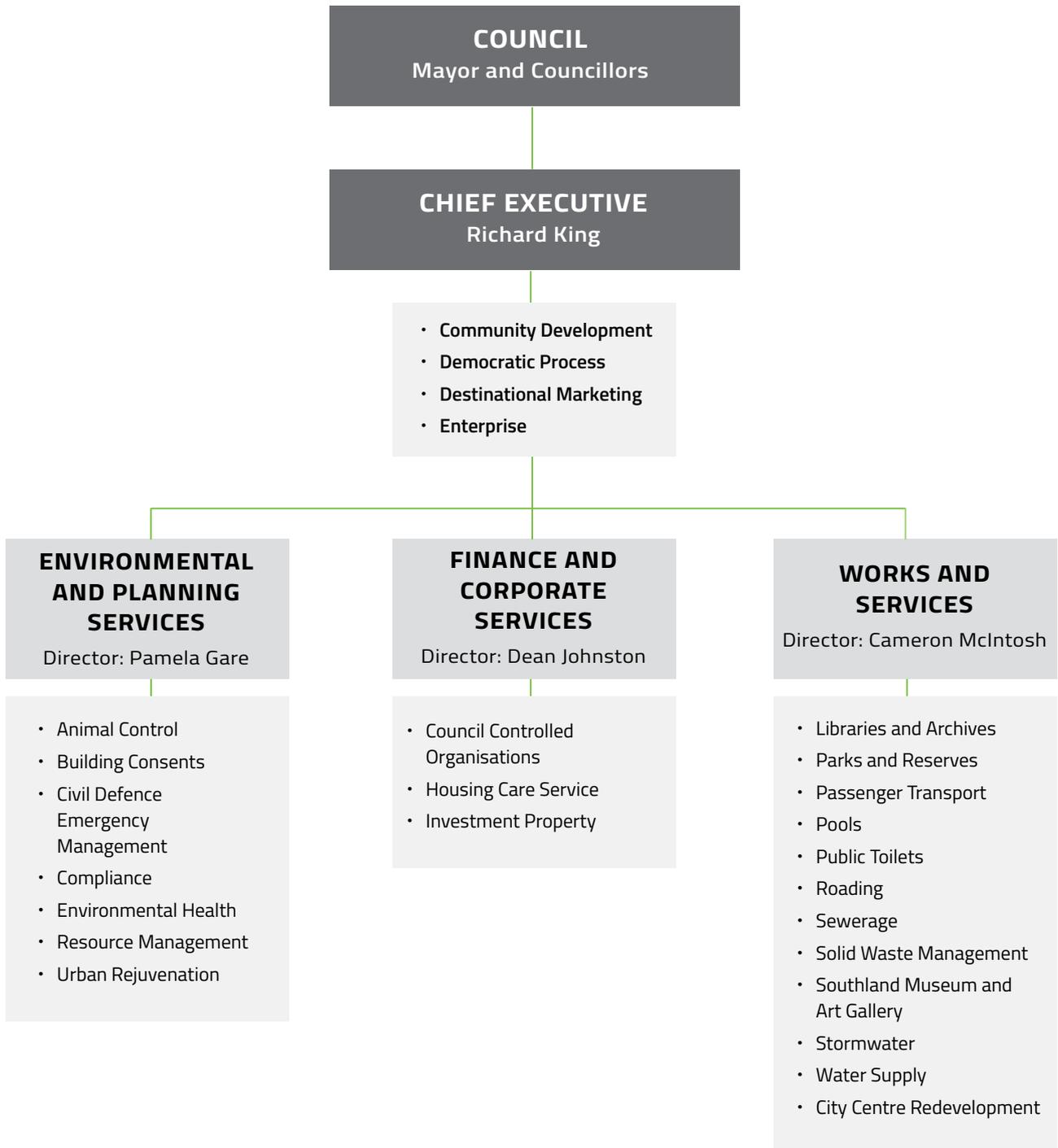


Graham Sycamore
03 213 0727



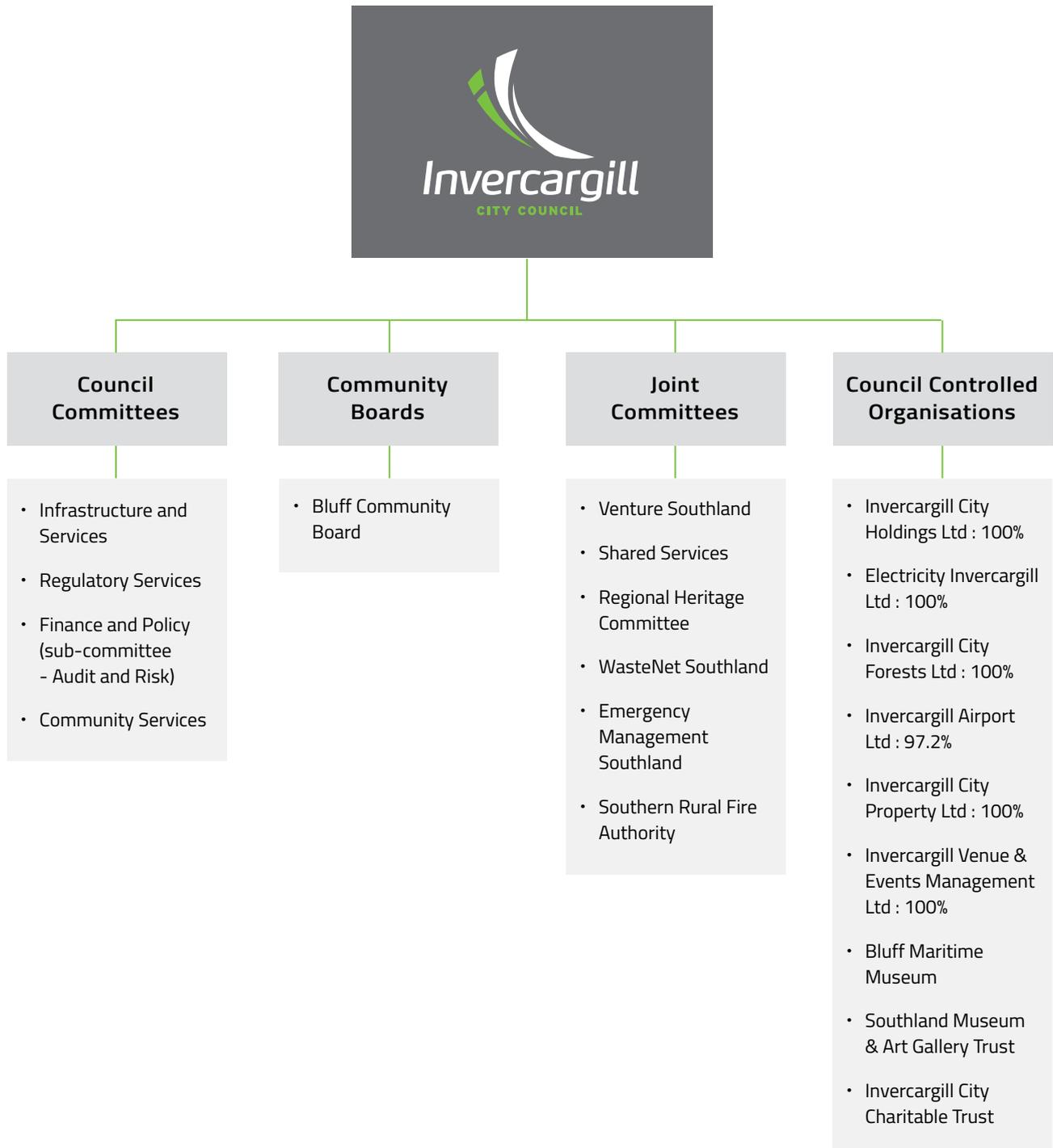
Lindsay Thomas
027 472 4730

management structure



The Council (elected members) employs the Chief Executive Officer to head the management structure.

council structure



readers' guide

The Long-Term Plan shows how the Invercargill City Council will plan and deliver projects, programmes and services.

GUIDE ON HOW TO READ THE PLAN

The Plan is divided into ten sections.

Section 1 - Introduction

This section introduces the District and Council, and explains why we have developed a Long-Term Plan. It includes the main assumptions on which the Plan is based, along with the key issues. The Financial Summary illustrates how Council proposes to fund its activities over the next ten years and the impact this will have on ratepayers. A copy of the report from Audit New Zealand on this Plan can also be found in this section.

Section 2 - Community Outcomes

The Council-focussed Community Outcomes for the Invercargill District are presented. This section also presents an overview of how they will be achieved and how Council will monitor performance towards them.

Section 3 - Financial Strategy

The Financial Strategy is Council's guide on funding and expenditure decisions, and aims to improve transparency and accountability. It addresses the anticipated factors that will have a significant impact on Council during the 2015-25 period and contains limits on rates and on borrowing. It also states the objectives and targets for Council's investments.

Section 4 - Infrastructure Strategy

The Infrastructure Strategy is Council's Strategy to provide infrastructure that is fit for the next 30 years and beyond. It highlights challenges that we will face and Council's solution for addressing them.

Section 5 - Council's Activities

Council has eight groups of Activities which explain how we plan, manage, deliver and fund individual activities. The eight groups are:

1. Roading
 2. Sewerage
 3. Solid Waste Management
 4. Stormwater
 5. Water Supply
 6. Development and Regulatory Services (including Animal Services, Building Control, Civil Defence and Emergency Management, Compliance, Environmental Health and Resource Management)
 7. Community Services (including Community Development, Housing Care Service, Libraries and Archives, Parks and Reserves, Passenger Transport, Pools, Public Toilets and Theatre Services)
 8. Corporate Services (including Democratic Process, Destination Marketing, Enterprise and Investment Property).
- This section also includes an update on the City Centre Revitalisation and Urban Rejuvenation initiatives.

Section 6 - Projects of Significant Community Interest

This section summarises work on the City Centre Revitalisation and Urban Rejuvenation projects.

Section 7 - Council Controlled Organisations

This section summarises the Statements of Intent which have been developed by the Council Controlled Organisations and includes an update on the Awarua Industrial Development and Southland Museum and Art Gallery Redevelopment initiatives.

Section 8 - Policies

This section contains policies which inform the Community of Council's position on particular matters, support the decision making of elected members and provide staff with clear direction on how decisions are to be implemented.

Section 9 - Fees and Charges

This section details the Fees and Charges for 2015/16.

Section 10 - Financial Management

This section includes a Prospective Statement of Financial Position, Prospective Statement of Comprehensive Revenue and Expenditure, Prospective Statement of Changes in Equity, Prospective Statement of Cashflows, Reconciliation of Rates Revenue, Operating Revenue and Operating Expenditure against Funding Impact Statements, Schedule of Reserves and supporting financial policies.

Section 11 - Other Information

This section contains the assumptions on which this Plan is based, a summary of the Assessment of Water and Sanitary Services and a summary of the Waste Management and Minimisation Plan.

overview

WHAT IS LOCAL GOVERNMENT AND THE LONG-TERM PLAN?

The purpose of Local Government is to enable democratic local decision making and action by, and on behalf of communities, and to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses. The Invercargill City Council does this in relation to the Invercargill District.

The Long-Term Plan provides a basis for integrated decision-making and coordination, and it helps Council and the community maintain a long-term focus on the decisions and activities of Council.

As a document, the Long-Term Plan sets out Council's priorities for the next ten years and how it will promote the current and future interests of the Community. The Plan is based on a set of assumptions of how our future will look. The Plan is reviewed every three years to ensure it remains current and reflects changes in the District, the economy and the priorities of the Community. An Annual Plan is developed in the two years between Long-Term Plans, showing in detail any changes to what was included in the Long-Term Plan. Council's Annual Report explains how it has progressed in achieving the projects, services and financial results.

The Long-Term Plan is based on Council's understanding of what its communities would like it to provide, its responsibility to take a long-term view of its activities and to show that its services and activities provide 'value for money'.

KEY ASSUMPTIONS

Council's Vision is "creating an exciting, innovative, safe, caring and friendly City offering lifestyles based on a healthy environment and diverse growing economy'. Assumptions have been made which form the basis of the Long-Term Plan. Council knows that the future will differ from its assumptions, but they are a "best guess" on which to base the Plan. Three key assumptions which have had a significant impact on the Plan are:

1. There will be gradual positive growth in the Invercargill and Southland economy and, therefore, employment opportunities.
2. Population growth will remain positive. In 2011 the population of the District was 51,696 and it is estimated to be 53,400 by 2031.
3. The cost of providing Council's services will increase. Changes in the consumer price index (CPI) are used as the basis for measuring the inflation faced by households. It gives a picture of how the prices of the goods and services purchased by the typical New Zealand household are changing over time. It is therefore heavily represented by food, accommodation and transport costs, which collectively make up over 50% of the index. The Council, however, purchases a different mix of goods and services. Council's "basket" is dominated by changes in the Local Government cost adjustors such as labour costs, land and materials associated with assets. There is therefore a difference between changes in CPI and Council's cost. Council's cost of providing services will change as follows:

Year	Local Government Cost Index % Adjustment	Consumer Price Index % Adjustment
2015/16	2.24	1.7
2016/17	2.45	1.9
2017/18	2.53	2.0
2018/19	2.61	2.1
2019/20	2.75	2.1
2020/21	2.90	2.2
2021/22	3.04	2.3
2022/23	3.19	2.4
2023/24	3.36	2.4
2024/25	3.53	2.5

Source: Derived from forecast indices from BERL Forecasts of Price Level Change Adjusters to 2025 (October 2014)

PROJECTED NUMBER OF RATING UNITS

Council has projected the number of rating units over the next ten years. This has been based on changes to the number of rating units experienced over

the past five years. The following table shows the projected number of rating units in each of the years for the Long-Term Plan.

Year	Projected Number of Rating Units
2015/16	25,210
2016/17	25,403
2017/18	25,596
2018/19	25,790
2019/20	25,983
2020/21	26,176
2021/22	26,369
2022/23	26,562
2023/24	26,756
2024/25	26,949

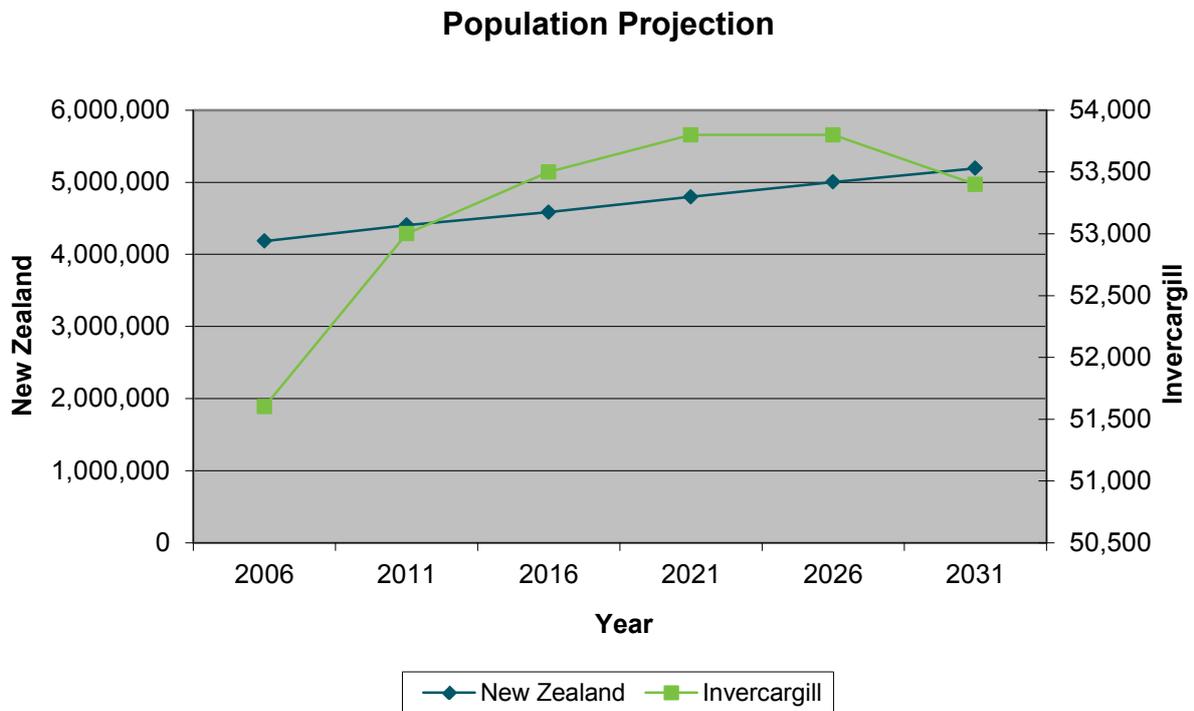
WHAT IS SUSTAINABLE DEVELOPMENT IN THE INVERCARGILL DISTRICT?

By taking a long-term view of its activities, Council will be making decisions that will encourage the sustainable development of the District and its resources. Council is actively involved throughout the community and is therefore in a unique position to consider the long-term sustainable development of the District.

Every local authority forms its own view of what sustainable development is for its district. In recent times, the Invercargill District has experienced a period of growth. From an Invercargill City Council perspective, sustainable development can be identified by the Community achieving the following trends:

- *Population retention and growth.*

The 2011 Census showed that the population of Invercargill had increased 2.7% from 2006. It is the experience of both Council and the Community that it becomes increasingly difficult to sustain a community if the population is decreasing. The Invercargill District has infrastructure to support a population greater than 53,400 (2031 estimated population). The graph below illustrates the population trends for Invercargill and New Zealand. An indication of the sustainable development of the Invercargill District would be for its population growth to follow the national trend.



- ***Residential property values.***

Residential property values provide an indication of the quality of housing and its demand. An indication of the sustainable development of the Invercargill District would be for residential property values in Invercargill to follow the national trend. From April 2014 to April 2015 property values increased 0.6% in the Invercargill District following the national trend of increasing property values, although at a slower rate.

- ***Resource Use.***

The sustainable development of the District is promoted by the Community reducing its impact on the environment. This can be shown in the Community's increasing use of walkways and cycleways for moving around the District and in greater proportions of solid waste being recycled, and the composting of green waste. By defining an urban boundary for Invercargill and Bluff, Council is encouraging the redevelopment of these serviced residential properties, rather than expanding infrastructure into rural areas.

development of the plan

The Consultation Document to the Long Term Plan was adopted by Council on 24 April 2015, and a public notice on 25 April 2015 invited submissions until 25 May 2015. During the submission period, Council distributed its Consultation Document to all residential properties in the district. Newspaper articles, radio announcements, social media and Council's Consultation Caravan were used

to encourage submissions on the Long Term Plan. 219 submissions were received and a hearing was held on 28 and 29 May 2015.

Ten key issues were identified and the following decisions made:

1. RATES

Council went out for public consultation with a proposed rates increase of 3.71% in the 2015/16 year. Following the consultation process and decisions on submissions, the rates increase for the 2015/16 year will be 3.89%.

2. ALTERNATIVE WATER SOURCE

Most submitters supported Council's deferral of the work on an alternative water source until 2025/26, after the critical infrastructure renewals had been carried out.

One submission requested that Council become an active partner in facilitating the extension of the Government funded aeromagnetic geological survey of Southland to include the Invercargill City Council area. This study will assist Council in determining where an underground water source could be located. Council decided that \$190,000 will be made available from budgets previously set aside for the investigation into an alternative water source. This will have no impact on rates.

Council decided to defer the alternative water source project until 2025/26, but also to provide \$190,000 for the aeromagnetic geological survey.

3. STORMWATER

Most submitters were in support of Council increasing its expenditure on the replacement of stormwater pipes.

Council decided to cumulatively increase its rates expenditure on average \$164,000 per year from \$1.289 million to \$2.439 million in 2021/22.

4. SEWERAGE

Most submitters were in support of Council increasing its expenditure on the replacement of sewerage pipes.

Council decided to cumulatively increase its rates expenditure on average \$104,000 per year from \$1.072 million to \$1.802 million in 2021/22.

5. ROADING

Most submitters supported Council's proposal of increasing ratepayer funding for its roading projects to meet the gap left by the decreasing New Zealand Transport Agency subsidy.

Council decided to cumulatively increase its rates expenditure on average \$120,000 per year, from 2016/17 until 2024/25 where the additional sum will be at \$1,202,000 per year thereafter.

6. FOOTPATHS

Most submitters supported Council's proposal to reduce its spending on footpaths projects, and slowly allow the level of service to decrease.

Council decided to reduce its spend in footpaths to \$1.24 million per year.

7. EXPANSION AT SPLASH PALACE

Most submitters supported the expansion at Splash Palace, although a number of submitters did not wish to see a gym incorporated in the design. As the entire project is based on a user pays model, the revenue from the gym will also pay for the changing rooms and other extensions; without the gym the changing rooms would need to be paid for from rates at a cost of over \$960,000.

Council decided to undertake the expansion, including the fitness centre, following the consideration of a Business Plan that will also consider the impact on private enterprise gym providers.

8. CLEAN AIR - CHANGES TO HOME HEATING

Most submitters were in support of Council providing funding for a home heating assistance programme. Many submitters raised the need for insulation and income testing to be included in the programme. These concerns will be taken into account when Council develops the criteria for the programme.

Council decided that it would make \$500,000 available for a home heating assistance programme.

9. CHANGING USE OF OPEN SPACES

Submissions were divided over Council's proposal to disestablish some playgrounds and to dispose or

exchange of some reserves. Many submitters requested that their local playground be retained. A large number of submitters opposed the disposal of the Makarewa Local Purpose Reserve.

Council decided that it would:

- Continue with the process to disestablish some playgrounds over a period of time, assessing each on a case by case basis.
- Remove the Makarewa Local Purpose Reserve from the disposal list and reassess it in the future if the Playcentre ceases to operate on the site.
- Continue with the process to dispose of or exchange the other reserve land.

10. ALCOHOL LICENSING FEES

Council received some submissions requesting a reduction in the alcohol licensing fees. Council's Revenue and Financing Policy states that there should be no ratepayer subsidy for this activity. To ensure that the cost of alcohol licensing does not require ratepayer subsidy, Council is making the assumption that Central Government will increase the fees charged at the same rate as the Local Government Cost Index every year. This has been allowed for in the budgets.

As Council wishes to ensure a fair cost allocation, a bylaw may be developed that seeks to reduce the statutorily set fees by 10%. Alternatively, other methods of changing the fees may be considered. At the same time, the Revenue and Financing Policy will be amended to allow for some of the cost of alcohol licensing to be met by ratepayers. Both of these processes will be subject to the public consultation process.

Council decided not to decrease its fees and charges for alcohol licensing in the Long-Term Plan and will defer this decision until after the public has had an opportunity to submit on the Bylaw and Revenue and Financing Policy documents.

DECISIONS ON SUBMISSIONS WITH FINANCIAL IMPACT

Submissions requesting funding which were approved by Council were:

Submitter	Decision
South Alive	Request - Lighting provided at the Elles Road Dog Park. Council Decision - \$2,000 contribution towards lighting at the Elles Road Dog Park.
SPCA Southland	Request - Continuation of the \$11,000 grant toward operating costs. Council Decision - \$11,000 contribution, per year.
Otatara Landcare Group at Bushy Point, Otatara Pestbusters, Bush Haven Bird Rehabilitation Centre and Southland Community Nursery and Education Centre.	Request - \$1,000 grant for each group toward operating costs. Council Decision - \$4,000 contribution, with \$1,000 going to each group.
Southland Santa Parade	Request - funding for a rental space at \$12,000 per year (\$25 per sq metre). Council Decision - \$10,000 funding for the rental space on the proviso that Council can also store it's Christmas lights in the space.

RURAL - FARMING DIFFERENTIAL

Council has an equitable rating system that shares the cost of operating the District across all ratepayers.

Council recognised that the increase to it's Rural - Farming Ratepayer Category was higher than anticipated and has decided to change the differential from -20% to -30%. Council wishes to remove differential rating over time and has introduced targeted rates and uniform annual charges to even the rates load. Work on how to better ensure equity in our rating system will be ongoing.

audit opinion

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the reader

Independent auditor's report on Invercargill City Council's 2015-25 Long-Term Plan

I am the Auditor-General's appointed auditor for Invercargill City Council (the Council). Section 94 of the Local Government Act 2002 (the Act) requires an audit report on the Council's long term plan (the plan). I have carried out this audit using the staff and resources of Audit New Zealand. We completed the audit on 30 June 2015.

Opinion

In my opinion:

- the plan provides a reasonable basis for:
 - long-term, integrated decision-making and coordination of the Council's resources; and
 - accountability of the Council to the community.
- the information and assumptions underlying the forecast information in the plan are reasonable; and
- the disclosures on pages 46 to 50 represent a complete list of the disclosures required by Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014 and accurately reflect the information drawn from the City Council's audited information.

This opinion does not provide assurance that the forecasts in the plan will be achieved, because events do not always occur as expected and variations may be material. Nor does it guarantee complete accuracy of the information in the plan.

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.¹

We assessed the evidence the Council has to support the information and disclosures in the plan and the application of its policies and strategies to the forecast information in the plan. 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 plan.

¹ 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*.

Our audit procedures included assessing whether the:

- Council's financial strategy, and the associated financial policies, support prudent financial management by the Council;
- Council's infrastructure strategy identifies the significant infrastructure issues that the Council is likely to face over the next 30 years;
- information in the plan is based on materially complete and reliable asset and activity information;
- Council's key plans and policies have been consistently applied in the development of the forecast information;
- assumptions set out within the plan are based on the best information currently available to the Council and provide a reasonable and supportable basis for the preparation of the forecast information;
- forecast financial information has been properly prepared on the basis of the underlying information and the assumptions adopted and complies with generally accepted accounting practice in New Zealand;
- rationale for the Council's activities is clearly presented and agreed levels of service are reflected throughout the plan;
- levels of service and performance measures are reasonable estimates and reflect the main aspects of the Council's intended service delivery and performance; and
- relationship between the levels of service, performance measures and forecast financial information has been adequately explained within the plan.

We did not evaluate the security and controls over the electronic publication of the plan.

Responsibilities of the Council and auditor

The Council is responsible for:

- meeting all legal requirements affecting its procedures, decisions, consultation, disclosures and other actions relating to the preparation of the plan;
- presenting forecast financial information in accordance with generally accepted accounting practice in New Zealand; and
- having systems and processes in place to enable the preparation of a plan that is free from material misstatement.

I am responsible for expressing an independent opinion on aspects of the plan, as required by sections 94 and 259C of the Act. I do not express an opinion on the merits of the plan's policy content.

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, Dunedin, New Zealand

statement of compliance



The Invercargill City Council and its officers confirm that all the relevant statutory requirements of Part 6 of the Local Government Act 2002 have been complied with.

The Council and its officers accept responsibility for the preparation of the Long Term Plan and the prospective financial statements.

In the opinion of the Council and its officers, the Long Term Plan for the ten years commencing 1 July 2015 provides a reasonable basis for long term integrated decision making and for participation in decision making by the public and subsequent accountability to the community about the activities of the Invercargill City Council.

A handwritten signature in black ink, appearing to read "T R Shadbolt".

T R Shadbolt
MAYOR

A handwritten signature in black ink, appearing to read "R W King".

R W King
CHIEF EXECUTIVE OFFICER

financial summary

This Plan has been prepared on the basis of concentrating on maintaining desired service levels, while continuing with key projects such as the City Centre Revitalisation and the Branxholme Water Treatment Plant Upgrade. Council is also focussing on key infrastructure projects such as the renewal of our pipe networks. While the major projects will be loan funded, costs of servicing the loans will have an impact on rates, particularly for areas where the expenditure has a targeted rate for services.

Financial Statements are based on costs associated with providing the Community with agreed levels of service including an assumed cost of inflation.

FUNDING EXPENDITURE

The guiding principle for the development of this Plan has been to provide sustainable financial management for Council's activities on behalf of the community.

The Revenue and Financing Policy provides the underlying basis to determine the mix between rates funding and other forms of income. In general terms, Council's funding policies ensure rates and subsidies are sufficient to maintain and replace existing assets.

Council uses loans to fund major capital projects, including new works and certain significant renewals where rate funding would be unaffordable. Other renewals are funded from operating surpluses. By using loans, future ratepayers, who will benefit from the capital works, fund the loan repayments.

Council funds non-infrastructure activities from operating expenses. Infrastructural activity funding is calculated from cash, operating expenses, renewals of assets and debt refinancing costs. It then reviews these costs, taking a long-term affordability and sustainability approach. Asset Management Plans have been developed for each key asset and these highlight future replacements, upgrading or disposals that will occur over the life of the asset.

IMPACT ON RATES

Council has tried to reduce the impact of rating increases on residents, by taking a prudent approach to what is in the Plan, when it will happen and how it is funded. This includes the shifting of projects which delays the impact of when rates need to be raised to pay for them. This helps smooth the overall impact of rates increases.

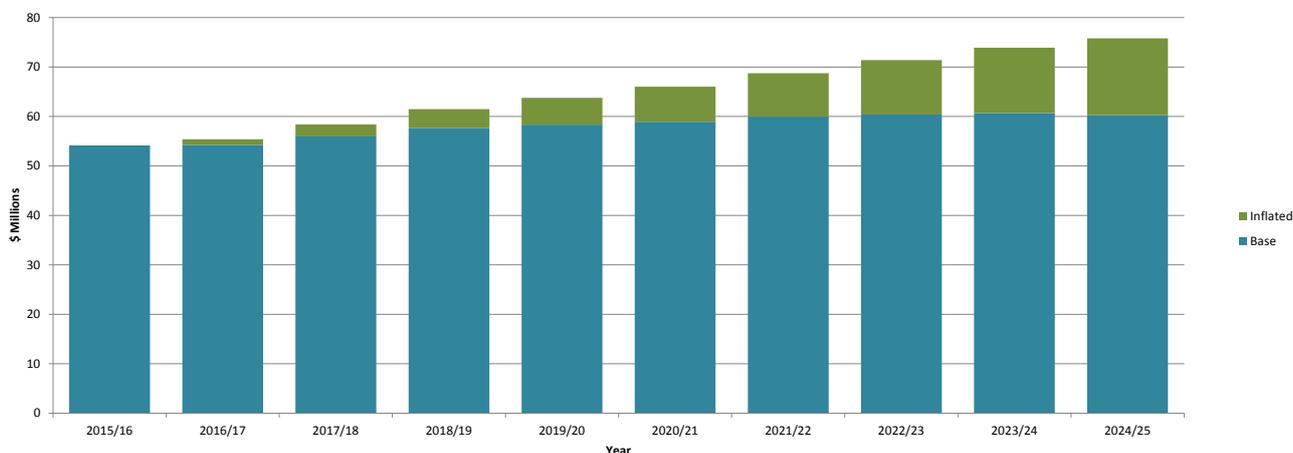
Council has monitored affordability closely through the submission process for this Plan and will continue to do so for each succeeding year, along with the overall economic climate in the District.

The rates revenue requirement over the next ten years is detailed below:

Year	Rates change	Total rates requirement (\$'000) gst inclusive
2015/16	3.89%	54,136
2016/17	2.33%	55,397
2017/18	5.39%	58,382
2018/19	5.30%	61,479
2019/20	3.70%	63,752
2020/21	3.56%	66,020
2021/22	4.15%	68,759
2022/2023	3.86%	71,413
2023/2024	3.48%	73,899
2024/2025	2.59%	75,812

This graph (below) shows the rates requirement for the next ten years. The inflation component has been derived from forecasts developed by BERL. The basis used for rates is the 2015/16 dollar value.

Inflation Component of Rates



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 3.89%, 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

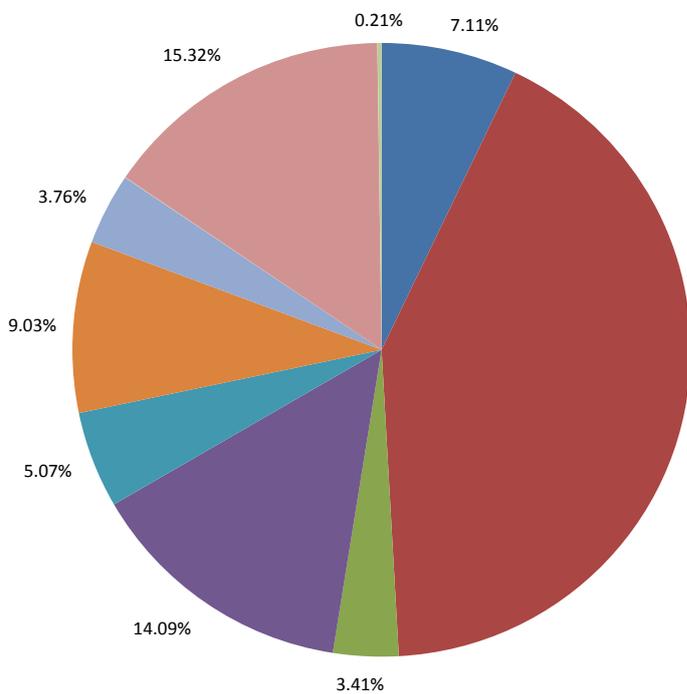
Type of Property	Rateable Value (Current) \$	Rateable Value (Proposed) \$	Rates 2014/15 \$	Rates 2015/16 \$	\$ Change Annual	\$ Change Weekly
Residential	111,000	109,000	1,559.50	1622.30	+62.80	+1.21
Residential	240,000	245,000	2,082.72	2,196.10	+113.38	+2.18
Residential	485,000	520,000	3,076.41	3,356.60	+280.19	+5.39
Residential	690,000	700,000	4,076.62	4,288.00	+211.38	+4.07
Commercial	720,000	690,000	5,700.57	5,685.20	-15.37	-0.30
Commercial	1,150,000	1,100,000	8,652.29	8,351.10	-301.19	-5.79
Commercial	2,475,000	2,500,000	14,189.28	13,679.60	-509.68	-9.80
Farms	950,000	1,140,000	2,037.23	2,172.90	+135.67	+2.61
Farms	1,975,000	2,345,000	4,106.75	4,381.90	+275.15	+5.29
Farms	4,700,000	5,550,000	8,829.15	9,320.00	+490.85	+9.44
Lifestyle	205,000	210,000	1,114.37	1,175.50	+61.13	+1.18
Lifestyle	310,000	316,000	1,414.45	1,478.50	+64.05	+1.23
Lifestyle	610,000	540,000	2,470.00	2,294.80	-175.20	-3.37

OVERALL FINANCIAL PERFORMANCE AND POSITION

- Total revenue will increase from \$82.5 million in 2015/16 to \$114.1 million in 2024/25, a 38% increase.
- Total Operating Expenditure will increase from 84.6 million in 2015/16 to \$111.1 million in 2024/25, a 30% increase.
- Council funding comes from a number of sources including 49% from rates and 14% from fees and charges. Other funding is received from grants and subsidies, interest, dividends, loan and reserves. This is based on the 2015/16 year and is shown in the pie graph on page 25:
 - Most 2015/16 expenditure occurs within the Infrastructural Services group of activities (Roading, Sewerage, Solid Waste Management, Stormwater and Water Supply).

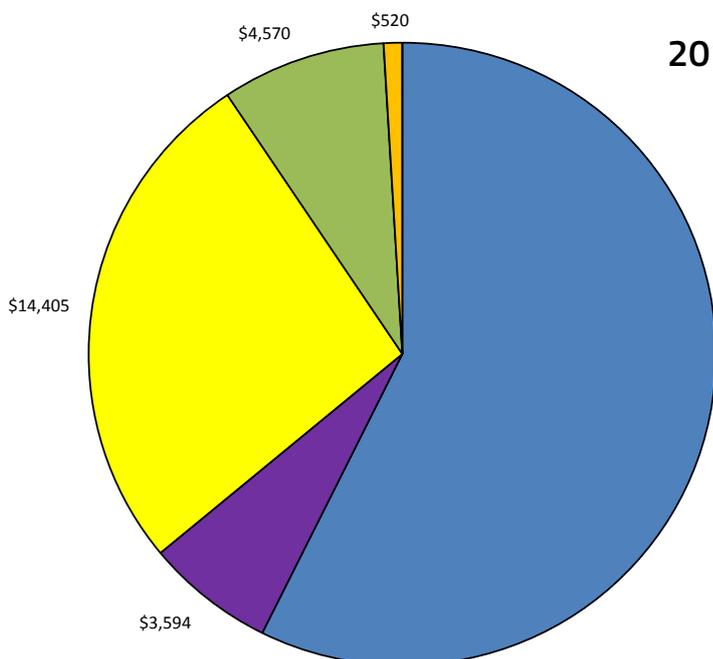
Financial forecasts reflect the cost associated with Council undertaking its activities. Changing the overall cost of Council activities can only be undertaken by reducing levels of service or reducing the maintenance on assets (which increases the risk of failure).

Rates support for activities may be reduced by increasing fees and charges for that activity. Council's financial strategy will assist Council in refining the projects that the community considers to be essential and those which it would like to have but cannot afford.



2015/16 Funding

- General rates, uniform annual general charges, rates penalties
- Targeted rates (other than targeted rate for water supply)
- Subsidies and grants for operating purposes
- Fees, charges and targeted rates for water supply
- Interest and dividends from investments
- Local authorities fuel tax-fines-infringements fees, and other receipts
- Subsidies and grants for capital expenditure
- Increase (decrease) in debt
- Gross proceeds from sale of assets



2015/16 Rates (\$,000 including GST)

- Infrastructural
- Development and Regulatory
- Community Service
- Corporate Services
- Special Projects

TOTAL RATES TO BE COLLECTED

The table below shows the total rates to be collected for Council's activities for 2015/16 compared to 2014/15.

Total increase in rates	2014/15 \$ GST inclusive	2015/16 \$ GST inclusive
General Rate	7,503,391	7,289,497
Resource Management	1,405,997	1,424,528
Roading	5,299,015	5,913,198
Parks and Reserves	6,176,220	6,133,980
Cemeteries	246,582	276,795
Libraries	4,257,286	4,500,027
Pools	1,902,512	2,269,695
Regional Heritage	811,124	829,271
Footpaths	1,728,164	1,845,483
Street Lighting	405,794	565,136
Transport	657,435	657,435
Sewerage	5,648,692	5,794,519
Drainage	2,918,323	3,539,844
Drainage - Makarewa	13,025	13,373
Drainage - Myross Bush	9,680	9,897
Drainage - Redmayne Road	3,307	2,645
Refuse Collection	3,600,070	3,664,189
General Waste Management	778,930	750,497
Water	7,116,072	7,430,109
Economic Development	345,000	230,000
Business Development	1,055,875	854,847
Vibrant	92,000	
Community Centres		
• Awarua	3,480	3,541
• Makarewa	2,076	
• Myross Bush	15,600	15,780
• Otatara	19,020	19,171
Bluff Town Hall	10,772	19,350
Bluff Community Board	81,414	83,488
Net Rates	52,106,856	54,136,295

working together

Building on several years of successful initiatives across a wide spectrum of services and core business activities, Southland's councils and their neighbouring Otago local authorities look to continue the collaborative efforts achieved to date.

Commonly referred to as "shared services", the local authorities have co-ordinated their efforts into common aspects that Council's have a legal obligation to deliver to their respective communities, with the overall aim of delivering more for least cost. The economies of scale and the cost-effectiveness of working jointly or collaboratively, and avoiding duplication provide the rationale for the sharing of ideas and effort.

A recent review of the shared service model has been undertaken and confirms the value of the activity to the Councils and the wider community. The review identified a further opportunity to jointly develop a Regional Strategy relating to the development options and opportunities for the region. This Strategy would form the platform for consideration of other collaborative and shared service opportunities into the future.

The following table shows examples of significant collaborative projects achieved or currently underway:

Baseline 2013/14	Maori capacity & partnerships	Emergency Management	Heritage Strategy	Transport Planning	Regional Strategy	Information Services
Gore District	✓	✓	✓		✓	
Southland District	✓	✓	✓		✓	✓
Invercargill City	✓	✓	✓		✓	✓
Southland Region	✓	✓	✓	✓	✓	✓
Otago Region	✓			✓		
Queenstown Lakes District	✓					
Clutha District	✓					✓

The Councils continuously look at opportunities for effectiveness and efficiency gains throughout the range of activities and outcomes that they are expected to deliver to their communities and businesses.

The Council through this Long-Term Plan, commits to continuing its involvement in investigating and joining collaborative processes and shared projects with its neighbouring councils, where there are advantages and efficiencies in doing so for the Council and the community.

