

Other information

This section contains the assumptions on which this plan is based and notes any variations between the Assessment of Water and Sanitary Services and the Waste Management and Minimisation Plan.

All figures are GST exclusive unless otherwise stated.

Significant assumptions

Below is a summary of the significant assumptions the Council has used in developing this Plan. The full significant assumptions document can be found on our website www.icc.govt.nz.

Internal Factors

| Assumption | Level of Uncertainty | Area of Impact |
|--|--|---|
| <p>Population</p> <p>The population will increase to 56,300 by 2028.</p> | <p>Moderate – risk that actual numbers will vary.</p> | <p>Significant increases in population may create a demand for infrastructure and services beyond existing capacity. Significant decrease in population would adversely impact on the community's ability to fund current levels of infrastructure and services.</p> |
| <p>Household Growth</p> <p>An average of 2.3 people per household in 2038, requiring 2,300 more homes from 2013.</p> | <p>Moderate – risk that actual numbers will vary.</p> | <p>Significant increases in the number of households may create a demand for infrastructure and services beyond existing capacity.</p> |
| <p>Ageing Population</p> <p>Those 65 years and older will make up approximately 22% of Invercargill's population by 2028.</p> | <p>Low – increasingly older population is reasonably certain.</p> | <p>An increase in the number of those people 65 years and older will increase the number of ratepayers on fixed incomes and may have an impact on the ability of the community to afford infrastructure and services.</p> |
| <p>Resource Consents</p> <p>Resource consents will be obtained with reasonable conditions and negligible impact on how Council provides its services.</p> | <p>Moderate – change is imminent but extent of which is unknown.</p> | <p>Capital expenditure may be required if the conditions attached to resource consents require changes to how Council delivers its services.</p> |
| <p>Tourism & Visitor Numbers</p> <p>Tourism numbers will increase over the Long-term Plan period.</p> | <p>Low – various city-wide endeavours to boost tourism.</p> | <p>Significant increases in the number of tourists may create a demand for infrastructure and services beyond existing capacity. Significant decrease in the number of tourists would adversely impact on the commercial community's ability to fund current levels of infrastructure and services.</p> |
| <p>New Zealand Transport Agency</p> <p>That the NZTA Funding Assistance Rate will reduce by 1% each year of the life of the plan.</p> | <p>Moderate</p> | <p>Lower than anticipated subsidies can result in service delivery costs needing to be met by other means or a decrease in the level of service.</p> |
| <p>Commercial Property</p> <p>The CBD will remain in the Esk Street area and will become more vibrant.</p> | <p>Moderate – risk exists due to uncertainty of CBD future, but Council has recently adopted a Retail Strategy.</p> | <p>Significant decrease in the number of commercial ratepayers would adversely impact on the commercial community's ability to fund current levels of infrastructure and services.</p> |



Financial Factors

| Assumption | Level of Uncertainty | Area of Impact |
|--|--|--|
| <p>Inflation</p> <p>Inflation will occur at the rates set by BERL as LGCI forecasts.</p> | <p>Moderate – inflation forecasts are not always accurate.</p> | <p>Cost change factors are based on information developed for Council's by Business and Economic Research Limited (BERL). Significant variations from these adjustments will be identified in future Annual Plans and Annual Reports.</p> |
| <p>Local Economy</p> <p>The local economy will grow and diversify.</p> | <p>Moderate – financial impact difficult to forecast.</p> | <p>Composition of local economy may diversify offering greater employment opportunities.</p> <p>Significant change to the economy, such as a large employer choosing to locate in the District, may require Council to review and change its current activities and levels of service. These demands will need to be quantified and an amendment to the Long-term Plan developed if the costs are significant.</p> |
| <p>Useful Life of Significant Assets</p> <p>Assets will reach the useful life indicated when supplied.</p> | <p>Moderate – asset lives based on estimates by Engineers and Registered Valuers.</p> | <p>A shorter useful life for assets would create a financial burden on the community.</p> |
| <p>Depreciation</p> <p>Council will fully fund renewal depreciation.</p> | <p>Low – asset depreciation rates will not change.</p> | <p>Changes in the valuation of Council assets may have a significant impact on the cost of fully funding depreciation.</p> |
| <p>Asset Revaluation</p> <p>Council will use national standards in asset revaluation.</p> | <p>Moderate – value will remain somewhat constant over ten years.</p> | <p>Changes in the valuation of Council assets may have a significant impact on the cost of fully funding depreciation.</p> |
| <p>Vested Assets</p> <p>Vested assets will have a negligible impact on Council's overall infrastructure and finances.</p> | <p>Low – financial effect of uncertainty.</p> | <p>Level of vested assets fluctuates yearly. Historical levels have not been material.</p> |
| <p>Financial – Existing Funding Renewal</p> <p>Council borrowing facility will be renewed (three-yearly) with the terms and conditions mirroring market trends.</p> | <p>Moderate</p> | <p>Council's terms and conditions for its borrowing facility have mirrored market trends in recent times.</p> |

Financial Factors continued

| Assumption | Level of Uncertainty | Area of Impact |
|---|--|--|
| <p>Financial – Expected Interest Rates on Borrowing</p> <p>Interest on future borrowing has been calculated at 4.75% for 2018/19, 5.00% for 2019/20, 5.50% for 2020/21 – 2022/23, 6.00% for 2023/24 – 2025-26 and then 6.50% for the remaining years. This is based on Council's current borrowing rates which are hedged for a number of years into the future, as well as consideration of economic forecasts.</p> | Moderate | Higher than expected interest rates on borrowing will require Council to consider collecting a greater amount in rates to cover the additional interest costs or reducing the amount borrowed (and level of service provided). |
| <p>Financial – Forecast on Return on Investments</p> <p>Return on cash investments is calculated on the borrowing rate less 2%.</p> <p>Dividends and subvention payments from Invercargill City Holdings Limited are assumed to be at 11% of the total rates requirement.</p> | Low | Lower than expected returns on investments will require Council to consider collecting a greater amount in rates, reduce spending or increase borrowings to cover any reduction in income. |
| <p>Asset revaluation for Property, Plant and Equipment</p> <p>Assets will increase by the accumulated Local Government Cost Index inflation on the last valuation value.</p> | Moderate – inflation forecasts are not always accurate. | Cost change factors are based on information developed for Council's by Business and Economic Research Limited (BERL). Significant variations from these adjustments will be identified in future Annual Plans and Annual Reports. |



External Factors

| Assumption | Level of Uncertainty | Area of Impact |
|---|--|---|
| <p>Local Governance</p> <p>Amalgamation will not occur during the life of the Plan.</p> | <p>Low – continue shared services, although amalgamation is low risk.</p> | <p>Boundary changes would require a review of the Long-term Plan with its associated community consultation.</p> |
| <p>Legislation</p> <p>There will be changes to legislation that have an impact on what and how Council provides services.</p> | <p>Moderate – difficult to know what central government will implement particularly if a change in government.</p> | <p>Significant legislative change can impose significant financial and service delivery costs on Council.</p> |
| <p>Natural Disasters</p> <p>There will be no major catastrophes that impact on Invercargill or its economy.</p> | <p>High – It is certain the Alpine Fault will rupture in the future but uncertain as to when and the impact.</p> | <p>A Civil Defence emergency in the District would impact financially on Council and the community. The financial risk to Council is reduced by maintaining insurance cover for emergency events.</p> |
| <p>Climate Change</p> <p>Climate change impacts will arise over the life of the Long-term Plan and current trends will be allowed for when planning infrastructure and services.</p> | <p>Moderate – Long-term trend of rising temperatures and more frequent intense weather events is reasonably certain, short to medium-term impacts are less certain.</p> | <p>The effect of Climate Change occurring more quickly than anticipated may require Council to review and change its current activities and levels of service. This could have a significant financial impact on the community.</p> |
| <p>Technology</p> <p>Changes in technology will affect how Council carries out its activities. This will have a financial implication over the 10 year plan.</p> | <p>High – certainty of diversification in technology is ever-growing. Impact of changing technology cannot be quantified.</p> | <p>New technologies will likely have an increased financial cost in the short term.</p> |
| <p>Education</p> <p>S.I.T will continue to promote Invercargill to international students.</p> | <p>Moderate – education systems that exist are likely to remain stable.</p> | <p>International students have an impact on available housing.</p> |

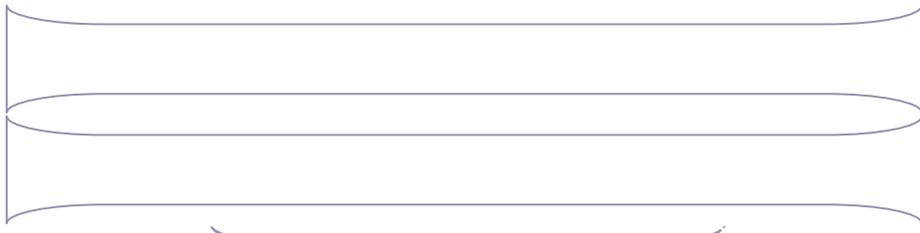
External Factors continued

| Assumption | Level of Uncertainty | Area of Impact |
|---|---|---|
| <p>World Economy</p> <p>The world economy will not have a significant negative effect on the Invercargill City District.</p> | <p>Moderate – future financial changes are unforeseeable.</p> | <p>A major event in the World Economy could affect Tourism and the implications of lower / higher tourist numbers would occur.</p> |
| <p>External Funding for Projects</p> <p>External funding for the Art Centre, Additional Pool and Living Dinosaurs projects will be received at the levels included in the preliminary budget work.</p> | <p>High – Although preliminary investigations have been started, there are no signed agreements or commitment to funding from the external parties.</p> | <p>If external funding is not received the projects will not go ahead. This will decrease the rates required.</p> |
| <p>Regional Storage Facility and Southland Museum and Art Gallery Redevelopment</p> <p>The Council will provide \$8.6 million as a grant towards the capital development of the Regional Storage Facility in 2024/25 and \$9.5 million toward the Southland Museum and Art Gallery Trust for the redevelopment of the museum in 2021/22 and 2022/23.</p> | <p>High – The \$8.6 and \$9.5 million estimates are subject to change. They are very preliminary figures that have been used for planning purposes. Prior to these projects proceeding, feasibility studies and further investigation into cost, and the level of Invercargill City Council's contribution, will occur. When these processes are undertaken it is likely that the figures will change.</p> | <p>If these projects do not go ahead, or there are significant changes in either proposed development, there will be a financial impact and an impact on the levels of service provided. These changes will be subject to the community engagement process.</p> |



Variation to other Plans

No significant variations between Council's Long-term Plan and its Assessment of Water and Sanitary Services or Waste Management and Minimisation Plans have been identified. Council's Assessment of Water and Sanitary Services and Waste Management and Minimisation Plan are available to view on our website – www.icc.govt.nz.



INVERCARGILL COUNCIL

