



Our plans for Infrastructure and Finances

For our strategic community projects,
see the Roadmap to Renewal on page 8.

Te mahere
hanganga me te
mahere pūtea

Our plans for infrastructure

Te mahere hananga

Council plans for the next 30 years to ensure its infrastructure will continue to meet the needs of the community.

Invercargill is growing – by approximately 1% a year. The population is getting older, and more Asian and Māori people are making Invercargill home, making our population more diverse. Housing needs will continue to grow and change – more people are anticipated to want to live in the city centre.

As we grow, Invercargill will benefit from the decisions our predecessors made. The critical infrastructure which

makes the city work – our water and sewage treatment plants, our pipes and road were designed for a city larger than we are now. We have plenty of room to grow.

However, these assets are aging and climate change, as well as changing water regulations, means more is required of the system. The plan below shows some of the highlights for how we intend to manage our infrastructure over the next 30 years.

Three waters reform

The Government is reviewing how water, stormwater and sewerage services are provided. There are different options being explored - new public sector regional bodies may be formed to provide Three Waters services instead of Councils. We have signed a Memorandum of Understanding and are working regionally to explore options which could work for Southland and Otago.

An opt-in or opt-out decision is expected to take place in late 2021 and we will update you then on what direction Council will take in line with the consultation processes set out by Central Government. If a new body is formed to manage water it is expected to begin operating in the 2023/2024 financial year. We have undertaken our planning for the Long-term Plan so that we are ready for both options. We are not changing our renewal and investment plans for Three Waters. We will continue to maintain levels of service. We have considered how a change to our assets would affect our ability to raise debt and invest in other projects.

The community will receive water services with no interruption no matter what decision is made.

Aligning our planning Council's Assessment of Water and other Sanitary Services and our Waste Minimization Plan can be found online. There are no significant variations between these documents and the Long-term Plan.

Key activities

Ngā ngohe matua

Council's approach to investment in infrastructure is to invest at the level required to maintain levels of service.

Roads and transport

Council will deliver a major \$20.8 million investment into the streetscape in the city centre. We will focus on improving safety on roads across the city. To support our community to reduce CO₂ emissions, we are working to make it easier and safer for people to walk and cycle. We are planning for higher rainfall events impacting on run off, as well as the need to manage dust and the use of bitumen on roads. We will plan these improvements to take place alongside other works in order to manage the impact on road traffic.

Water

The Government is reviewing how water will be provided in the future. Council is working closely with the Government. We will continue to invest to ensure critical assets in the network are maintained, planning renewals to ensure the city is prepared for climate change leading to periods of droughts as well as higher rainfall. We will develop an alternative pipeline to ensure water delivery to the city from the Bransholme treatment plant. We will also continue to explore an alternative water source for the city.

Managing climate change

Climate change and what we can expect for Southland has been studied by NIWA. We can generally expect more intense rainfall events but also longer periods without rain. Council wants to ensure we have planned effectively for our most important core infrastructure first. The level of the sea is also expected to increase each year by approximately 10 mm, which over the life of our assets can have a significant impact. The impacts upon our core infrastructure will vary but we are designing new infrastructure with climate change in mind to ensure our infrastructure is suitable for future generations.

Over the next three years we will be working with Environment Southland to align our plans as a region and to develop a plan for all our other activities.

Rubbish and recycling

Government is increasing the levies on disposal of waste at the regional landfill. This will affect the cost of our services at the Waste Transfer station.

Stormwater and sewerage

We are planning our pipe renewals to be able to accommodate more extreme rainfall events, which are expected as a result of climate change.

We continue to manage our treatment plants to reduce the impact on the environment. Our consent for the treatment plant in Bluff is due for renewal in 2025 and we are working with the regulators and lwi to ensure we have the right solutions in place for our community.

For full details of our plans for infrastructure, see our Infrastructure Strategy on page 173.



Built Infrastructure

\$9.5m

Plant and motor vehicles

\$20m

Maintenance of Council buildings including the Civic building, Bluff Service centre, Civic Theatre, pool and libraries

\$13.9m

Investment in our parks buildings, plant and vehicles



Roading

\$78.8m

Investment in roading resurfacing and drainage

\$12.8m

Footpath renewals and parking meters



Three Waters

\$114m

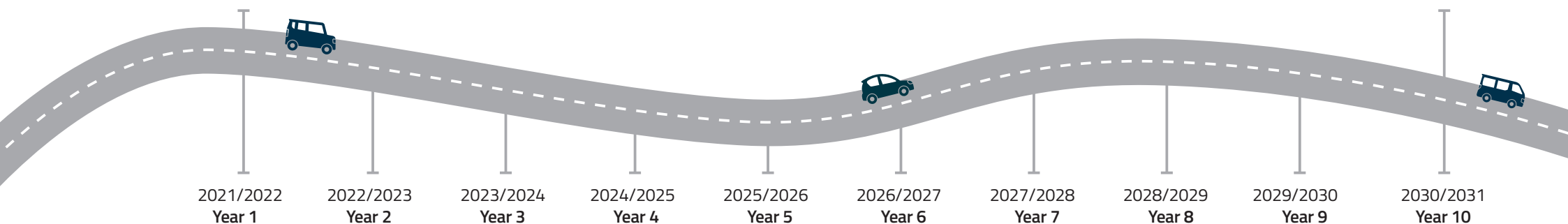
Investment in our water, stormwater and sewerage pipe networks

\$8.1m

Investment in treatment plants

\$9.7m

Investment in pumping stations



\$14.2m
Upgrade Stead Street Stopbank

\$2.3m
Bin Replacement

\$11.1m
Branholme water supply

\$1.9m Investment in car parks and land improvements in our parks and reserves

\$16m Civic Building renewal

\$19.7m
Emergency Water Supply

\$1.1m Investment in the Crematorium



What's our plan for income?

Te mahere whai pūtea?

We will increase our income from rates by 5% in the first year, with increases at a lower level over later years. Our cap for increase of income from rates is a maximum of 7.5% in any one year.

The top graph shows increases in rates over the last five years as well as the forecast increases in rates for the next 10 years.

In 2020/2021 we collected \$56.8 million in revenue from rates; this will rise to \$59.8 million in the first year of the Long-term Plan.

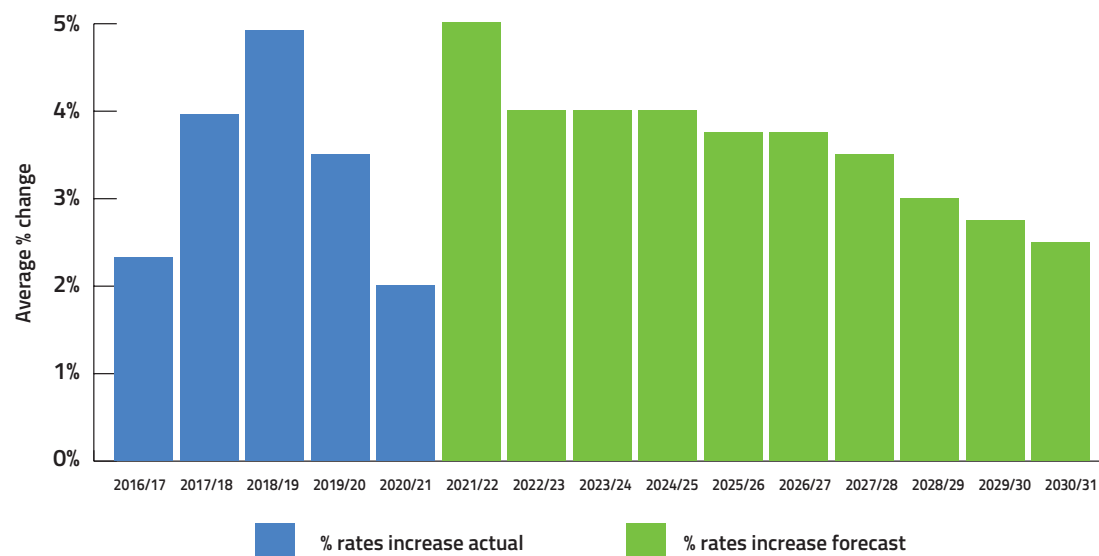
Next year the way we will rate will become simpler. We are proposing to reduce the number of targeted and differential rates. This will make the rating system easier to understand and more cost-effective to administer.

It will also mean that some services we all share like streetlights and footpaths will be paid for by all properties for the first time.

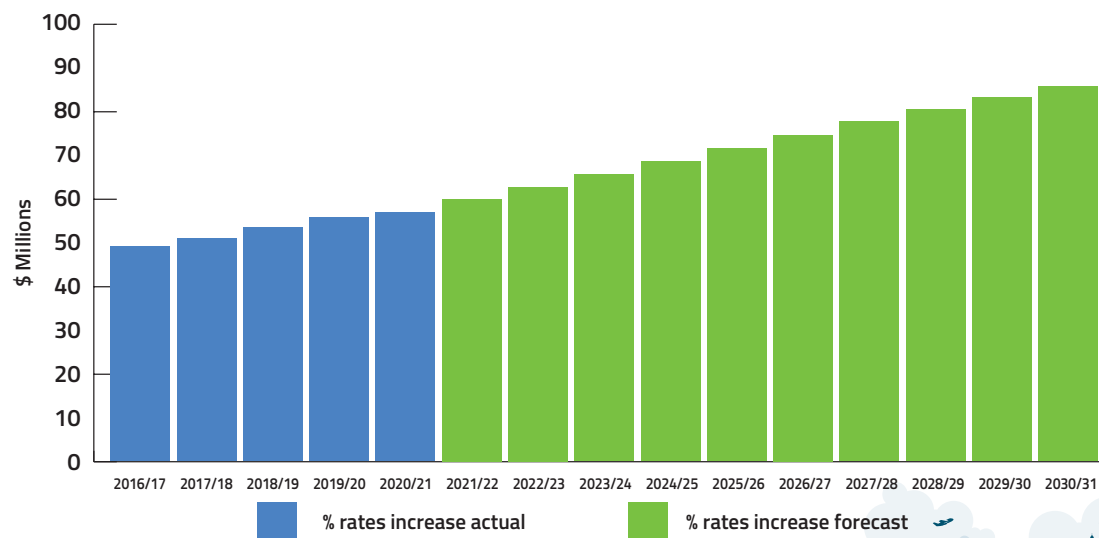
A 5% increase in rates revenue doesn't mean that everyone will receive a 5% increase in their rates bills. The impact of rates increases on different properties varies.

Following consultation we completed financial forecasting which has resulted in a lower increase in forecast rates in some of the later years of the plan.

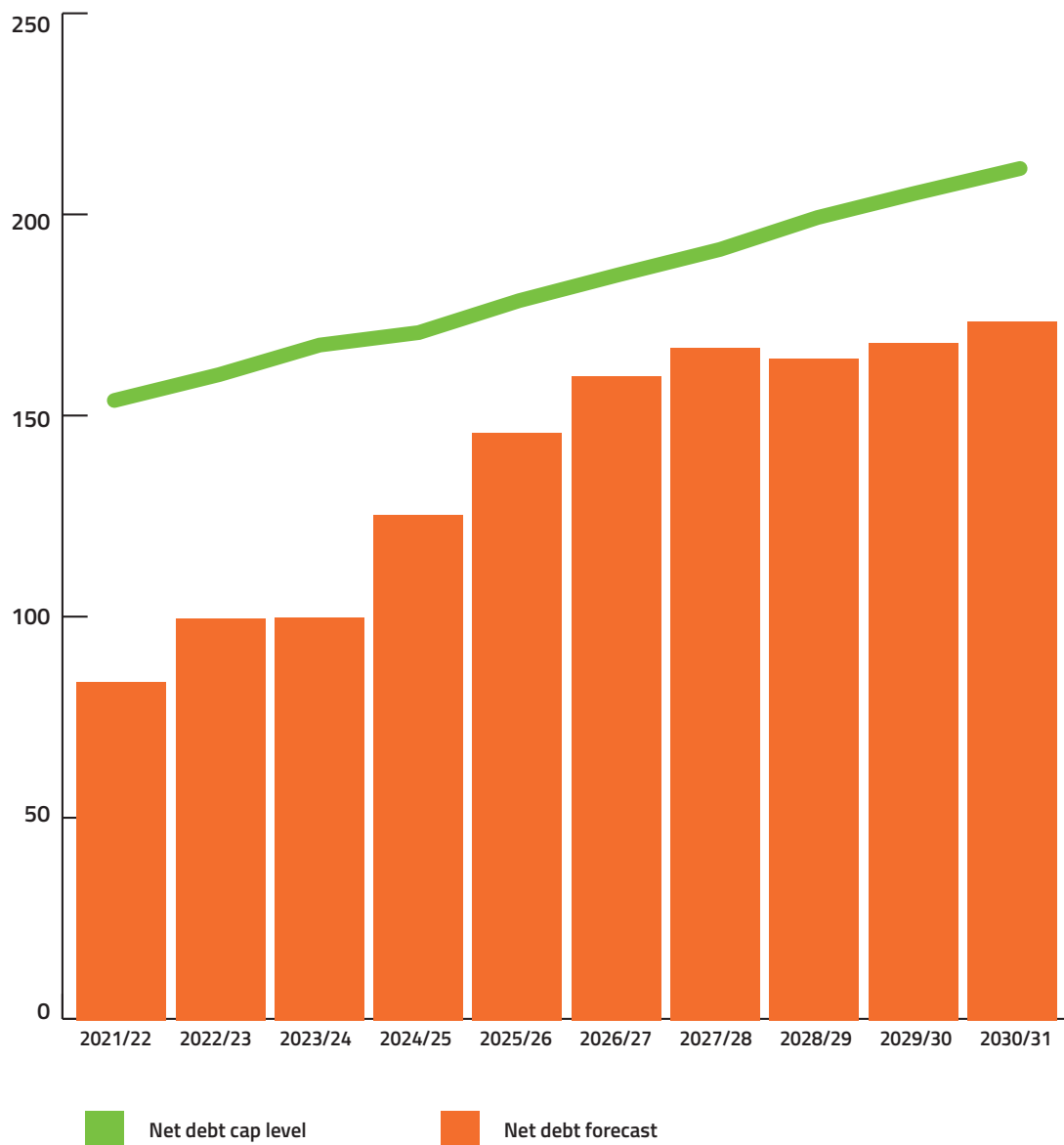
% change to existing rating units assessments 2016 - 2031



Total rates revenue 2016 - 2031 (GST exclusive)



Total net debt 2021 - 2031



What's our plan for net debt?

Te mahere moni tārewa?

All Councils set debt limits, which caps our total borrowing. The limit is benchmarked by comparing the total net debt to our total income.

Our current net debt limit of \$148 million is set at 150% of our total income. This is equivalent to \$154 million in 2021/2022 rising to \$211 million by 2030/2031.

We need to plan for proposed Central Government changes to the way water services will be delivered. Water pipes, pump stations and other facilities make up a significant proportion of Council assets – while removing these will limit the amount we can borrow, we still have room to increase our borrowing limit.

We currently forecast to hold \$45 million in net debt by the end of 2020/2021.

To fund our planned roadmap to renewal we will need to take on more debt.

At the peak Council's net debt is expected to reach \$165 million by 2030/2031. \$120 million of this will be new debt – to put it into perspective, this is equivalent to every household in Invercargill taking out a \$5,000 loan.

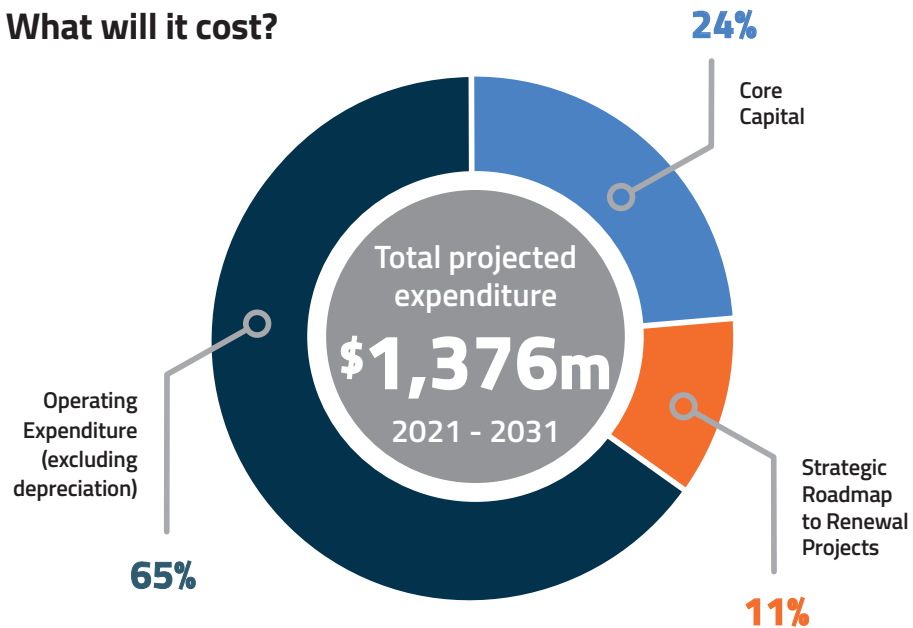
What is net debt?

Net debt = Total borrowings less cash investments

What does it mean for money?

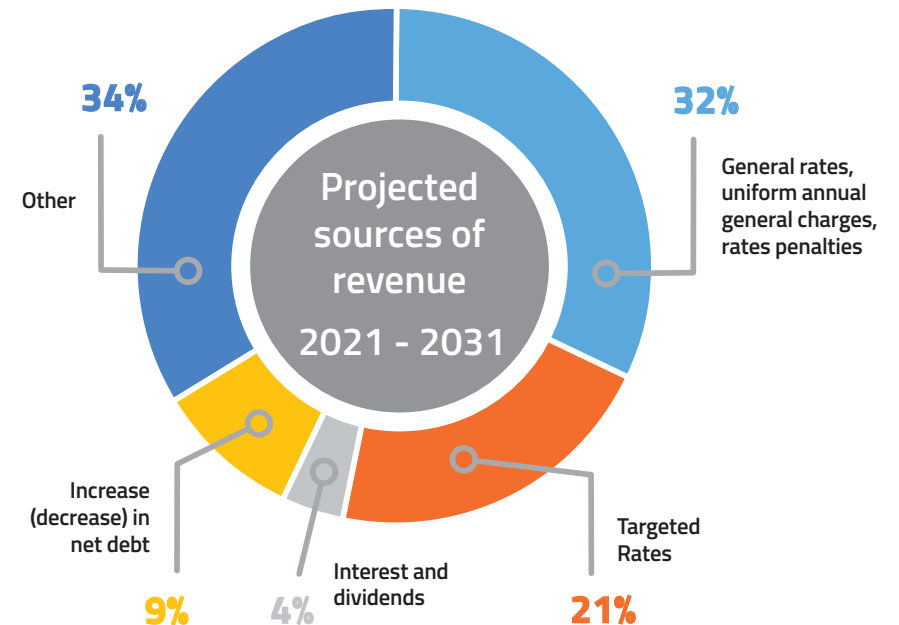
Te take pūtea?

What will it cost?



Over the ten years of the Long-term Plan 65% of Council expenditure will be spent on operating services. 35% of expenditure will be on capital: 24% will be spent investing in our core infrastructure such as roading, Three Waters infrastructure and buildings and 11% will be invested in strategic roadmap to renewal projects.

How will we pay for it?



Income from general rates will make up 32% of income. This includes the uniform annual general charge and forecast rates penalties. 21% of income will come from targeted rates for specific services such as water or waste services. 9% of income will come from increased net debt and 4% from interest and dividends. A third of income is from other sources, which includes subsidies such as the subsidy from the New Zealand Transport Agency, rental income and fees and charges for services.



What are the changes?

Ngā panonitanga?

Council has an ambitious capital works programme to deliver core infrastructure renewals and community projects over this Long-term Plan.

The Infrastructure Group is changing the way they are working, introducing new internal project management processes and working more closely with contractors, to more accurately forecast availability of construction resource. There are significant constraints in the construction market at the moment, both as a result of the number of large projects taking place in the region and the impact of Covid-19 on supply chains. These factors have been taken into account in developing the capital works programme and budget. The budget allows for an increase in the percentage of the programme delivered each year to reflect the impact of improvements to the way we work, increasing over time.

The risk to delivery of the capital works programme remains significant. If a project is affected by this, it could result in a decline in levels of service along with possible asset failures. The Project Steering Group will actively monitor delivery of the programme and report regularly on progress.

Council chose to limit the rates increase to 2% in 2020/2021 to assist people in the time of Covid-19. As a result we have put in place a plan to bring us back to a balanced budget in the first year of the Long-term Plan.

To deliver the capital programme we will need to increase the amount of debt we take on. Invercargill City Council is in a strong position to do this in comparison to many other councils. In Year one we have a net debt level of 73% of our annual revenue. We plan to increase this to 117% by 2031.

We will also need to increase rates at a slightly higher level. We have planned rates increases of 5% for the first year and thereafter.

Council charges user fees for some of our services. In putting together our proposed fees and charges we have considered a range of factors including cost recovery and market comparisons. We also need to increase these fees at a similar level to the increase in rates as a way to help ensure that those who use a service pay an appropriate amount of the cost.

This balance of increasing rates and fees and charges and debt will ensure we fairly balance what we pay now and what is paid by people in the future.

To help us to deliver some of the larger projects, like the museum, we will seek funding from sources like community funds and Central Government. If significantly more ratepayer funding is proposed, we will come back to you to ask if you want Council to invest at a higher level.

What does it mean for you and your rates?

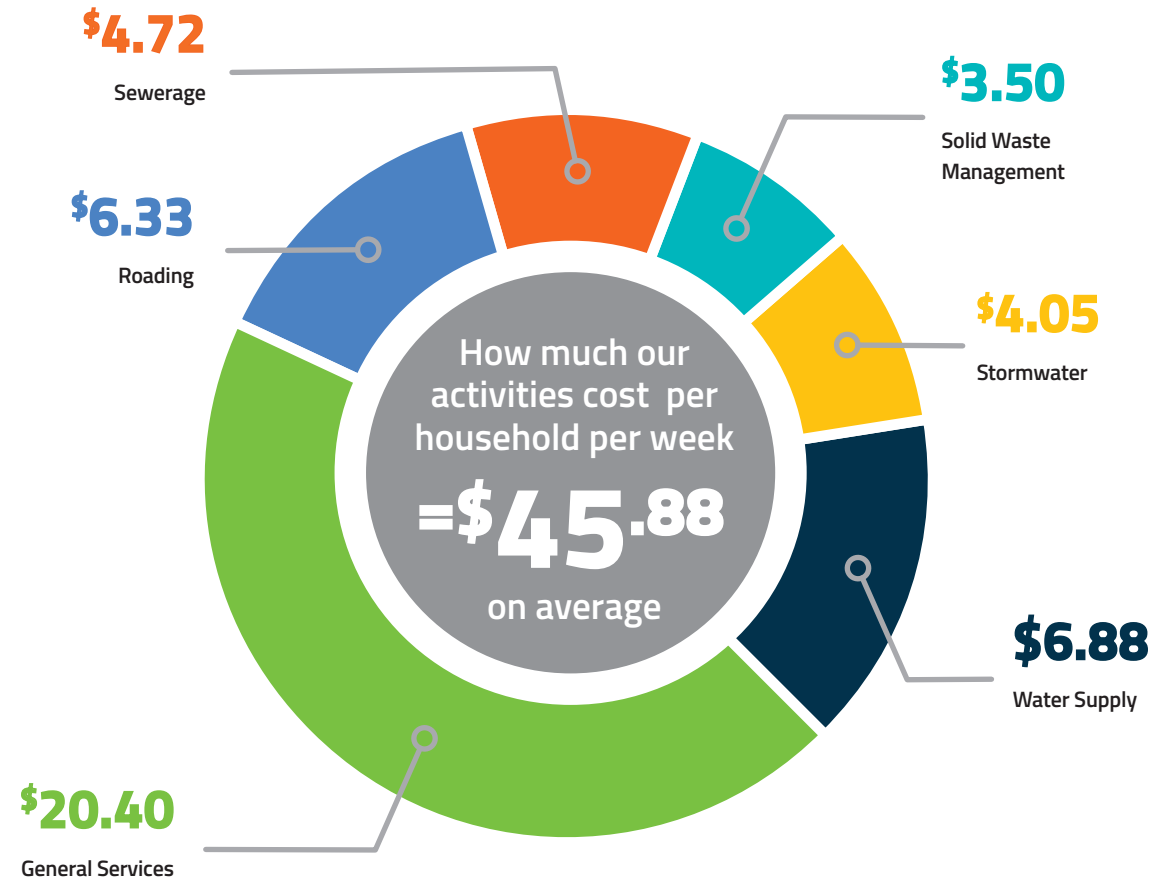
He aha ngā whakaritenga māu, me ōu reiti?

We will increase our income from rates 5% in the first year, with increases at a lower level over later years. Our cap for increase of income from rates is a maximum of 7.5% in any one year.

On average we estimate each household would pay \$2,385 a year for the services and projects we propose in our plan. However the amount paid by each property varies.

- Around 19% of properties (4758 properties) will receive a decrease in rates
- Around 35% of properties (9,017 properties) will receive an increase of between 0-5%
- Around 14% of properties (3,514 properties) will get an increase of more than 10%

Where will your rates go each week?



General services include activities like libraries, pools, parks, regulatory services, the democratic process and corporate services to enable Council to operate. These figures relate to the first year of the Long-term Plan.

For full details of our plans for finances, see our Financial Strategy on page 214.

Auditor's Opinion

Ngā kōrero a te
kaitātari kaute

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the reader:

Independent Auditor's report on Invercargill City Council's 2021-31 Long-term Plan

I am the Auditor-General's appointed auditor for Invercargill City Council (the Council). The Local Government Act 2002 (the Act) requires the Council's long-term plan (LTP) to include the information in Part 1 of Schedule 10 of the Act. Section 94 of the Act requires an audit report on the Council's LTP. Section 259C of the Act requires a report on disclosures made under certain regulations. I have carried out this work using the staff and resources of Audit New Zealand. We completed our report on 30 June 2021.

Opinion

In our opinion:

- the plan provides a reasonable basis for:
 - long-term, integrated decision-making and co-ordination of the Council's resources; and
 - accountability of the Council to the community; and
- the information and assumptions underlying the forecast information in the LTP are reasonable; and
- the disclosures on pages 224 to 229 represent a complete list of the disclosures required by Part 2 of the Local Government

(Financial Reporting and Prudence) Regulations 2014 (the Regulations) and accurately reflect the information drawn from the LTP.

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

Emphasis of matters

Without modifying our opinion, we draw attention to the following disclosures.

Uncertainty over three waters reforms

Page 48 outlines the Government's intention to make three waters reform decisions during 2021. The effect that the reforms may have on three waters services provided is currently uncertain because no decisions have been made. The LTP was prepared as if these services will continue to be provided by the Council, but future decisions may result in significant changes, which would affect the information on which the LTP has been based.



Uncertainty over the delivery of the capital programme

Page 9 outlines that the Council is proposing to spend \$115 million on capital projects over the next 10 years. While the Council is taking steps to deliver its planned capital programme, as outlined on page 54, there is uncertainty over the delivery of the programme due to the significant constraints in the construction market. If the Council is unable to deliver on a planned project, it could result in disruption to services as a result of asset failures.

Uncertainty over external funding of capital projects

Pages 23 to 29 outline the Council's assumption that external funding contributions will be obtained to build the City Centre Masterplan Streetscape and Urban Play, reopen and refurbish the Southland Museum and Art Gallery, and construct the Arts and Creativity Invercargill over the next 10 years. The external funding contributions are currently uncertain because funding agreements are not in place. If the level of external funding is not achieved and where significant ratepayer funding is required, the Council has noted that it intends to consult with the community on contributing more ratepayer funding or whether to explore other options.

Basis of opinion

We carried out our work in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. In meeting the requirements of this standard, we took into account particular elements of the Auditor-General's Auditing Standards and the International Standard on Assurance Engagements 3400 *The Examination of Prospective Financial Information* that were consistent with those requirements.

We assessed the evidence the Council has to support the information and disclosures in the LTP and the application of its policies and strategies to the forecast information in the LTP. To select appropriate procedures, we assessed the risk of material misstatement and the Council's systems and processes applying to the preparation of the LTP.

Our procedures included assessing whether:

- the Council's financial strategy, and the associated financial policies, support prudent financial management by the Council;
- the Council's infrastructure strategy identifies the significant infrastructure issues that the Council is likely to face during the next 30 years;
- the Council's forecasts to replace existing assets are consistent with its approach to replace its assets, and reasonably take into account the Council's knowledge of the assets' condition and performance;
- the information in the LTP is based on materially complete and reliable information;
- the Council's key plans and policies are reflected consistently and appropriately in the development of the forecast information;
- the assumptions set out in the LTP 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;
- the 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;

- the rationale for the Council's activities is clearly presented and agreed levels of service are reflected throughout the LTP;
- the levels of service and performance measures are reasonable estimates and reflect the main aspects of the Council's intended service delivery and performance; and
- the relationship between the levels of service, performance measures, and forecast financial information has been adequately explained in the LTP. We did not evaluate the security and controls over the electronic publication of the plan.

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

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 LTP;
- 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 LTP that is free from material misstatement.

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

Independence and quality control

We have complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

Other than our work in carrying out all legally required external audits, and an assurance report on certain matters in respect of the Council's Debenture Trust Deed, we have no relationship with or interests in the Council or any of its subsidiaries.

Andy Burns
Audit New Zealand

On behalf of the Auditor-General, Dunedin, New Zealand.

