

A sunset over a city with a lighthouse and a signpost. The sky is filled with orange and red clouds. In the foreground, a signpost with two green signs is visible. The top sign says "Strategies and Policies" and the bottom sign says "Ngā rautaki me ngā ture". The background shows a cityscape with a lighthouse and a sign that says "SMOKE ALARMS SAVE LIVES".

## Strategies and Policies

Ngā rautaki me  
ngā ture



# Strategies and Policies

## Ngā rautaki me ngā ture

The six key Strategy and Policy documents included within the 2021/2031 Long-term Plan are

- Infrastructure Strategy
- Financial Strategy
- Finance and Revenue Policy
- Rating of Māori Freehold Land Policy
- Development Contributions Policy
- Significance and Engagement Policy.



# Infrastructure Strategy

## He ara whakaoho

Infrastructure provides a foundation for building strong and resilient communities. This Strategy sets out how the Invercargill City Council's existing infrastructure base for roading, water supply, sewerage and stormwater, will be continued into the near future.

The Local Government Act requires that Council include Roothing and 3 Waters, including flood protection, in its Infrastructure Strategy. Building Assets, and Parks and Recreation were previously included in the Infrastructure Strategy but have been removed from this strategy now. Building Assets and Parks and Recreation still adhere to the principles of the Infrastructure Strategy. Solid waste has been previously included within this Infrastructure Strategy, however is more aligned to an activity management plan approach and therefore not included within this strategy.

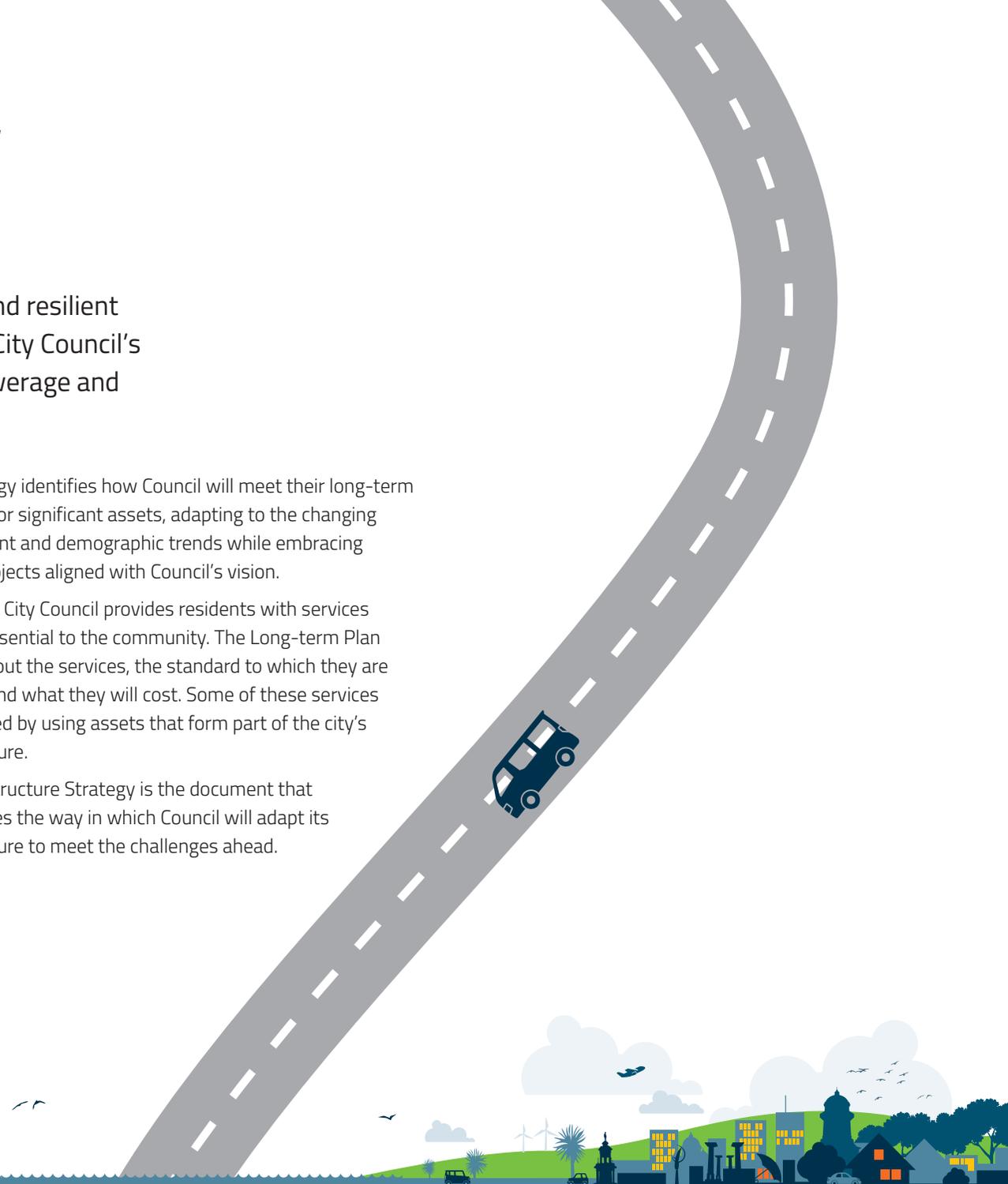
Council is required under legislation to plan for the next thirty years and identify what issues relating to infrastructure may be experienced over this timeframe, how Council intends to manage these issues, and what implications may arise. It will further outline how Council will renew or replace their infrastructure assets and respond to varying levels of service for these assets.

This document is supplied under Section 101B of the Local Government Act 2002.

The Strategy identifies how Council will meet their long-term renewals for significant assets, adapting to the changing environment and demographic trends while embracing growth projects aligned with Council's vision.

Invercargill City Council provides residents with services that are essential to the community. The Long-term Plan (LTP) sets out the services, the standard to which they are provided and what they will cost. Some of these services are provided by using assets that form part of the city's infrastructure.

The Infrastructure Strategy is the document that summarises the way in which Council will adapt its infrastructure to meet the challenges ahead.



# Infrastructure Strategy Overview

## Te pae tata

The Roadmap to Renewal forms the core of our strategy over the next 10 years as we work to create a city with heart.

### Who we are

Invercargill city is a relatively small and compact city extending from Makarewa in the north to Bluff in the south, Kennington in the east and Ōreti Beach in the west. The Invercargill City District encompasses an area of 49,142 hectares. Generally we cover a land area 33.8 km by 20.1 km. Landscape features of importance to the community include Bluff Hill (Motupōhue) and four major waterways which thread through the City (Makarewa, Waihōpai, Ōtepunī, and Kingswell rivers). These, along with the Ōreti River all flow into the New River Estuary. The urban areas of Invercargill and Bluff contain extensive areas of open space as well as distinct heritage buildings.

Invercargill has many extensive parks and recreational areas that are both close and accessible to residents. Queens Park is a centrally located, nationally recognised premier park offering wide and varied recreational use. Sandy Point area is a

large environment and recreational area and is close to the city residents.

Road networks are generally formed on a grid layout and with relatively flat terrain, which makes mobility and accessibility easy for all modes of transport. The roading network has plenty of capacity. This ensures that travel reliability is a given for all road users.

The pipe networks provide potable water supply, wastewater (sewerage) reticulation and stormwater reticulation. The piped networks are compact and generally contained within road reserve and generally not located in residents private property where access is more difficult. They are well structured and historically well sized to provide for the city's requirements with only short travel distances to and from treatment facilities, with the exception of drinking water. Water is sourced and treated at Branxholme to the north of the city and piped 16.5km to reservoirs within the urban areas of Invercargill and Bluff.



This map outlines the territorial boundaries of the Invercargill City Council.



# Council's Vision and Direction

## Te rautaki hanganga

Council's vision for Invercargill is "Our City with Heart – He Ngākau Aroha." Council must provide sound management of its infrastructure to realise this vision.

### Challenges faced by Council

- Meeting our long-term renewal obligations for infrastructure
- Ensuring Council decisions are financially prudent and recognise the current and future interests of the community
- Responding to the changing environment (both natural and technological) and retaining Invercargill's character including its built environment
- Recognising the city's changing demographic profile, and its ability and willingness to pay for the services required
- Encouraging growth projects whilst ensuring financial and operational sustainability for future generations
- Climate change and the impacts of this upon our infrastructure now and future demands
- Central Government water reform and the uncertainty of the impact of this
- Ensuring the CBD revitalisation achieves its goals

### What is our Strategy to achieve the vision and manage the challenges?

- Maintain our current asset base, while responding to the challenges in a strategic manner
- Focus on critical aging assets and allow non-critical assets to experience limited failure before renewal
- Avoid expanding existing infrastructure networks (at our own cost), except to improve levels of service to meet consent and legislative requirements, and utilise current network capacity to meet forecast growth needs
- Focus on sound evidence-based activity investment decisions, rather than just the management of assets
- Renew assets at the rate of asset consumption
- Design pipe network renewals to accommodate impacts of climate change
- Should unplanned failures occur, use a mix of Council's financial "good health", accumulated reserves and / or insurances (where appropriate) to manage risks

- Ensure growth is focused on social, financial and operational sustainability and aligned to Council's vision
- Better understand and meet our community's needs, through consultation and delivery of agreed levels of service
- When arranging contracts or significant activities, consider how investment decisions may impact a viable competitive supplier market in the region

## The tools we are going to use

- Strengthen our asset management capabilities and practices, in order to improve cost-efficiency, better manage our risks, and make better informed decisions about infrastructure
- Improve business decisions when investing by using an evidence based business case approach
- Engage our customers more often to better understand their needs and desires and how these may change over time.

## Where will we be in 30 years?

- Infrastructure in Invercargill will continue to meet the needs of the community.
- The CBD will be a vibrant hub and have community facilities which support it.
- Assets will have had sufficient maintenance and renewal, and will operate by meeting the agreed community levels of service. Council will have good knowledge on how to sustain and support the assets over their lives.

## Our Assumptions at a glance

ASSUMPTION	LEVEL OF UNCERTAINTY
Economy	Medium
Population Growth	Medium
Climate Change	High
Consents	Medium
Natural Disaster	Medium
Council services and structure	Medium
Asset life and Asset Revaluation	Medium
Inflation	Medium
Interest Rates - Borrowing	High
External Funding	High



## Core Infrastructure

### ROADING

 **\$514m**

Urban sealed roads	295 km
Rural sealed roads	179 km
Rural unsealed roads	123 km
Kerb and channel	555 km
Bridges	55
Footpaths	500 km
Street lights	7000
Carparks	6

We own and manage \$1.45b (replacement value as at June 2019) of core public infrastructure

### STORMWATER

 **\$367m**

Pipe network	416 km
Pump stations	9
Open drains	47 km
Stopbanks	3 km

### SEWERAGE

 **\$311m**

Pipe network	368 km
Pump stations	32
Treatment plants	3

### WATER

 **\$280m**

Pipe network	419 km
Pump stations	6
Branxholme water treatment plant Reservoirs	7

This information has been developed from the valuations undertaken for 30 June 2019, for more detail please see individual Asset Management Plans.

## What we deliver

**Roading** – The Roothing Activity provides a safe, convenient and efficient transport system for all transport modes within the city including pavements, streetlights, traffic signs and signals, footpaths, drainage, kerbing, bridges, culverts, street furniture, parking facilities, vehicle access crossings and cycle tracks.

**Water Supply** – The Water Supply Activity owns and maintains assets, including treatment stations, reservoirs, pump stations plus a pipe network to supply potable water to residential, industrial and commercial properties to protect public health, water for firefighting, support city growth and contribute to the general well-being of the community.

**Sewerage** – The Sewerage Activity owns and maintains assets which include pipes, pump stations and treatment plants for the removal of sewage from residential, industrial and commercial properties in urban areas of Invercargill, Bluff, parts of Ōtatara and Ōmaui. Treated effluent is discharged to Foveaux Strait at Bluff, to the New River Estuary at Invercargill, and to land at Ōmaui.

**Stormwater** – The Stormwater Activity owns and maintains assets which include pipes and pump stations to provide for the removal of stormwater from residential, industrial and commercial properties to reduce the risk of property damage by flooding. Stormwater is discharged to natural waterways including the Waiikiwi Stream, Waihōpai River, Kingswell Creek, Clifton Channel, Ōtepunī Stream, the New River Estuary and Bluff Harbour.

**Tidal Protection Banks** – The city is protected by a series of flood protection schemes on the main waterways through the city which includes walls, banks and detention dams. The majority of these schemes are owned and managed by Environment Southland, with Invercargill City Council managing tide protection banks at the Waihopai Arm at Stead Street and Cobbe Road. These banks protect against the sea tidal movements and storm surge rather than river flooding.

# Background

## Kupu pūtake

In the coming years, Invercargill City will experience greater pressures on infrastructure renewals as the existing networks age towards their end of life.

During the periods of the 1920s, 1960s and 1970s, large areas of our city and associated infrastructure were developed over short periods reflecting the growth of the city. These assets will require renewal as they reach end of life and the strategies deployed to manage this work will reflect in the cost to the community.

Council has built good quality asset data over the last 30 years and this is included in its asset management plans. This has enabled Council to establish budgets that work to ascertain the level of expenditure necessary to ensure a reliable and consistent level of service in our infrastructure areas. Council has maintained its assets well and believes that there is not a large deferred risk on assets from the past but recognise that renewals are essential for service continuity as assets have a finite life.

Roading, Water Supply, Stormwater and Sewerage activities account for 21% of Council's operating expenditure and 58% of Council's capital renewal expenditure.

Council has renewal programmes in place; however these programmes are expected to increase. The increase is to enable Council to meet the end of life needs of the assets which were installed in earlier growth periods. During these times Central Government supported and assisted development and growth, however under current funding structures the renewals

are now the financial responsibility of Council (apart from the New Zealand Transport Agency Funding Assistance where applicable). These development peaks need careful and structured renewal strategies to renew assets at the right time to meet well understood future demand. The Water Supply AMP has highlighted an area of the pipe network where asbestos cement (AC) pipes may have to be renewed before their expected end of life, but have served more than 50 years currently. These pipe materials are widely used across New Zealand and most councils will be experiencing similar responses as pipes become older and failure more likely.

For some of Council's infrastructure activities a decision has been made to reduce the rate of renewal for some assets. This 'sweating of the asset' is now more widely accepted as getting value for money, but has the potential for more risk if the condition of the "sweated" assets is not well known. Sweating of an asset will enable Council to manage change and extend the predicted life cycle of the asset. It also allows Council to use better data and optimisation approaches to predict a just-in-time renewal of the asset. The use of criticality, resilience and risk to balance decisions with experienced practitioners mitigates the level of risk the community is exposed to.

For example, Council is proposing to under fund the renewal of the footpath programme as it can be done

with low risk and has high visibility for future monitoring. In doing so, Council is hoping to extend the overall life of all footpath assets beyond what has been earlier planned for and signalled in its Roothing Asset Management Plan. The opposite approach has been taken with critically important parts of the water reticulation network where replacement is programmed to coincide with scheduled end of life rather than waiting for failure.

Council needs to ensure that it is delivering the right level of infrastructure at a sustainable cost the community can afford, both now and into the future. Investment needs to be managed through business cases which support current evidence and future demands including possible shifts in demand.

To do this Council has looked closely at the renewals and maintenance of existing infrastructure as well as any planned new infrastructure projects; details of these options are expanded on in the Asset Management Plans. This strategy sets out what Council believes to be the most likely scenario for infrastructure needs in the future and assesses the options available to Council and the community for addressing these needs.



# Key Assumptions

## Ngā whakaaro

POPULATION			
ASSUMPTIONS	LEVEL OF CERTAINTY	IMPACT OF UNCERTAINTY	COUNCIL RESPONSE
<p><b>Population growth</b> At 30 June 2020, the estimated population of Invercargill was approximately 57,100 (1,2)</p> <p>The population growth for Invercargill is around 1%(3). This rate has been observed during eight of approximately the past twelve years, making it a reasonable assumption for the current plan.</p> <p>Based on a 1% growth assumption, the expected population for 2031 is estimated to be around 62,810</p> <p>Covid-19 might significantly change the previous growth forecasts for Council. Population growth is expected to be minimal in the short term as a result of Covid-19 limiting the ability of students and migrant workers to travel, along with continued aging of the population.</p>	Medium	<p>Council is not planning for a major change in population during the life of the current plan</p> <p>There are multiple uncertainties related to population growth in Invercargill:</p> <ul style="list-style-type: none"> <li>While International students currently in New Zealand are able to return to SIT for study, the number of EFTS(4) to date for 2021 is only 337. This is compared to 775 in 2020</li> <li>Riding out recession impacts of Covid-19 Alert Levels 4 and 3</li> <li>Proposed Tiwai Aluminium Smelter closure</li> <li>Mid-range population forecast but noting underlying increase in population that has already surpassed StatsNZ estimates</li> </ul>	<p>The critical infrastructure and resources that Council provides were designed for a city with a population larger than we are now. Council has appropriate infrastructure and resources to service our population without significant financial impact as we have plenty of room to grow</p> <p>This is in line with the higher forecast of the Southland Regional Development Strategy</p> <p>Council will continue to monitor change in population growth during the life of the current long term plan to prepare for/respond to any significant changes realised from the multiple uncertainties identified</p>

POPULATION			
ASSUMPTIONS	LEVEL OF CERTAINTY	IMPACT OF UNCERTAINTY	COUNCIL RESPONSE
<p><b>Diversity</b> The population will continue to become more diverse. The Maori population will grow from 17% to 19%(5). The Asian population will grow from 6% to 9% (6)</p>	Medium	Interruptions to travel may affect international migration although it is not expected to effect this assumption significantly. Impact of uncertainty is low	Council continues to explore new ways of engaging and ensures a balanced sample in customer research to ensure it understands changing needs and expectations
<p><b>Ageing population</b> Those aged 65 and older will form 23% of the population in 2031, which is higher than the current aged population in 2020(7) (estimated at 10,000 of 57,100, or 17.51%) (8)</p>	High	The pattern of aging in the population is a long-term trend which is not expected to be disrupted	The needs of older people and younger people are different from those in the working age and Council will continue to consider the needs of all users of its services
<p><b>Households</b> The number of households will increase as the population ages</p> <p>The size of households will decrease slightly and may vary between 2.35 and 2.25 people over the time of the infrastructure strategy (9)</p>	Medium	The impact of a potential decline in numbers of students and migrant workers on demand for housing is uncertain	Council's infrastructure has sufficient capacity to accommodate the potential increase in population and/or demand

#### Footnotes

- EFTS – Equivalent Full Time Student
- Growth in line with NZ stats estimate of 2% growth in the Southland region (NZ. Stats, population projections)
- Growth in line with NZ stats estimate of 3% growth in the Southland region (NZ. Stats, population projections)
- NZ Census Area unit forecast
- Subnational population estimates (TA, subdivision), by age and sex, at 30 June 2018-20 (2020 boundaries)
- To calculate the projected average occupancy rates we took past and projected population data from Statistics New Zealand and cross referenced this to past and projected number of households. The average occupancy is the total population divided by the total occupied households.

## ECONOMY

ASSUMPTIONS	LEVEL OF CERTAINTY	IMPACT OF UNCERTAINTY	COUNCIL RESPONSE
<p><b>COVID-19</b> The lockdown and potential future impacts of COVID-19 may negatively impact residents' ability to pay rates. This could lead to a short term cashflow impact and increased rates arrears. Rates arrears could increase further</p>	Medium	To date there has been little impact on our rates receipts and the response to the new rates postponement and remission policy has led to a number of ratepayers contacting Council to go onto a payment plan for their rates	Council has adopted an additional policy for postponement and remission of rates. This policy allows ratepayers financially impacted by COVID-19, to delay payment of up to 1 year's rates. Council staff will work with affected ratepayers to set up affordable payment plans
<p><b>Economy</b> A recessionary period is expected for the first five years of the LTP and longer-term structural changes to the economy beyond this time. This will lead to higher unemployment and lower GDP[10]</p>	Medium	The shape of the recession (u or v) is as yet unknown. The relative impact across regions, based on industries impacted most by COVID-19, as well as potential impacts of proposed Tiwai closure and SIT becoming a subsidiary of Te Pūkenga needs to be better understood by Council in order to reduce this uncertainty. Significant errors in this area could have a significant impact on Councils budgets over the forecast period[11]	<p>Council will focus on efficiency savings. Investment will only be made in activities which can be serviced</p> <p>Council will continue to review its work programme and priorities as the level of uncertainty reduces</p>
<p><b>Community funding</b> Council can expect to see increased funding applications from groups as a result of Covid-19 and its impact on Community Trust of Southland and Invercargill Licencing Trust's ability to fund</p>	Medium	The immediate impact of Covid-19 has been seen in the local community, with reduced funding available from major community funders including the Community Trust of Southland and Invercargill Licencing Trust and Foundation	Council acknowledges the potential community expectation that Council will be positioned to distribute grants to fund community wellbeing related activities



ECONOMY			
ASSUMPTIONS	LEVEL OF CERTAINTY	IMPACT OF UNCERTAINTY	COUNCIL RESPONSE
<p><b>Economic diversification</b> Volatility in the global economy may affect one or more of Invercargill's key export industries. This will drive diversification but will slow growth. There may be a delayed effect through the risk of impacted industries abandoning properties</p>	Medium	The relative impact needs to be better understood by Council to reduce uncertainty, as significant errors could have a significant impact on Council budgets over the forecast period[12]. This may directly impact rates and ability of Council to fund projects	Council will continue to monitor changes in the global markets
<p><b>Central Business District</b> Following a period of static activity until 2023 when the City Block development is complete, the CBD will become more vibrant and have increased connectivity</p> <p>Council will work in collaboration with others to enable strategic activities and initiatives to support the success of the CBD</p>	High	The city centre is at the centre of Council's vision. As with any major investment of this type there is a level of uncertainty as to the impact of the development on future use patterns within the city. If the development does not succeed in drawing people to the city centre it will have an impact on Council strategy	<p>Council strategic activities and economic development activities delivered through Great South will align to support the success of the city centre projects</p> <p>Streetscape works will be designed to support connectivity to the city centre. Council will need to plan for the structural change this is anticipated to involve</p> <p>Council has support for heritage buildings through the Regional Heritage Strategy and associated funds to support businesses managing high costs of older buildings</p>
<p><b>Community funding</b> Council can expect to see increased funding applications from groups as a result of Covid-19 and its impact on Community Trust of Southland and Invercargill Licencing Trust's ability to fund</p>	Medium	The immediate impact of Covid-19 has been seen in the local community, with reduced funding available from major community funders including the Community Trust of Southland and Invercargill Licencing Trust and Foundation	Council acknowledges the potential community expectation that Council will be positioned to distribute grants to fund community wellbeing related activities

ECONOMY			
ASSUMPTIONS	LEVEL OF CERTAINTY	IMPACT OF UNCERTAINTY	COUNCIL RESPONSE
<p><b>Tourism</b> Tourism numbers will slowly increase, returning to 2019 levels by 2031</p>	Low	<p>The tourism sector is the hardest hit in the economy and is not expected to fully recover out to 2030</p> <p>This may have an impact on the Airport and other infrastructure needs that may or may not be required in short term as tourist numbers reduce</p>	Council expects some impact, but tourism is not a major proportion of Invercargill's GDP so the effect is expected to be relatively minor
<p><b>International education</b> The numbers of International students studying at the Southern Institute of Technology will slowly increase back to 2019 levels by 2031</p>	Low	<p>Students are an important part of the economy, creating significant demand. The impact on retail, hospitality and housing could be significant</p>	Council is working with Great South on economic development

**Footnotes**

- BERL Local Government Cost Adjustor Forecasts – Three Scenarios Reference No: #6109
- [www.infometrics.co.nz/industry-concentrations-and-the-fall-of-think-big/](https://www.infometrics.co.nz/industry-concentrations-and-the-fall-of-think-big/) ; <https://www.infometrics.co.nz/examining-the-nz-industries-hit-hardest-by-the-covid-19-pandemic/> ; BERL Local Government Cost Adjustor Forecasts – Three Scenarios Reference No: #6109
- [www.infometrics.co.nz/industry-concentrations-and-the-fall-of-think-big/](https://www.infometrics.co.nz/industry-concentrations-and-the-fall-of-think-big/) and <https://www.infometrics.co.nz/examining-the-nz-industries-hit-hardest-by-the-covid-19-pandemic/>



SOCIAL AND CULTURAL			
ASSUMPTIONS	LEVEL OF CERTAINTY	IMPACT OF UNCERTAINTY	COUNCIL RESPONSE
<p><b>Māori culture</b> Māori culture will become more visible in the city</p>	Medium	Increased awareness of the need to recognise Maori culture and tikanga (methodology), with a particular focus on partnership, participation and protection	Council will invest more in Māori engagement to ensure strategic projects reflect Māori culture in the city
<p><b>Socio-economic</b> The impact of COVID-19 is yet to be realised, and there may be changes in Invercargill's socio-economic patterns over time</p> <p>Māori have been disproportionately affected by the economic crisis brought about by the COVID-19 containment measures, and it is expected to continue to play out over the ten year recovery period[13]</p>	Medium	<p>With GDP softening the long range economic outlook will hinge largely on the ability for the current and successive governments to provide economic stimulus</p> <p>This may have an impact on Council activities that rely on users discretionary spend for revenue</p>	Council acknowledges the potential community expectation that Council will be positioned to distribute grants to fund community wellbeing related activities

#### Footnotes

- BERL (July 2020). Economic Scenarios to 2030. The post-COVID-19 scene

RESILIENCE			
ASSUMPTIONS	LEVEL OF CERTAINTY	IMPACT OF UNCERTAINTY	COUNCIL RESPONSE
<p><b>Community wellbeing</b> The COVID-19 response measures will have long term impacts on the wellbeing of communities, requiring a long term perspective response</p>	Medium	The situation is evolving and will continue to be monitored	Council has tasked Great South, the regional development agency, to focus on resilience and economic diversification. A Community Wellbeing Fund has been established
<p><b>Community resilience</b> The amalgamation of Southern Institute of Technology with Te Pūkenga, and the potential loss of zero fees advantage, will have an uncertain long-term effect on Invercargill's population and economy</p>	Medium	<p>The effects of COVID-19 on immigration will impact student numbers in the short to medium term</p> <p>The risk of losing the zero fees advantage could have an impact on our growth strategy</p>	Council funds Great South to promote the region and continues to monitor and plan for the impact
<p><b>Community resilience</b> Tiwai Point Aluminium Smelter will continue to operate until 31 December 2024</p>	Medium	A transition plan will be developed to prepare for the eventual closure. It is not yet clear where and how the impact will be felt in the community	Council is working with the Just Transition team and Great South on economic diversification
<p><b>Natural disaster</b> No natural disaster is expected to impact the City during the life of the plan</p>	Medium	<p>The impacts of a disaster will be assessed at the time and an appropriate response prepared</p> <p>Infrastructure renewals are undertaken using resilient design practices</p>	Council has a focus on resilience. Council continues to support and invest in Emergency Management Southland



ENVIRONMENT - CLIMATE CHANGE			
ASSUMPTIONS	LEVEL OF CERTAINTY	IMPACT OF UNCERTAINTY	COUNCIL RESPONSE
<p><b>Mean annual and extreme temperatures</b> (days where temp. exceeds 25<sup>c</sup>) are expected to increase with time: By 2040: mean annual temperature increase of 0.5-1<sup>c</sup> with 0-10 more hot days per annum By 2090: mean annual temperature increase of 0.7-3<sup>c</sup>, with 5-55 more hot days per annum</p>	High	<p>Water - Longer period of drought may result in increased demand, whilst flood events create turbidity and increase the cost to treat for consumption</p> <p>Flood Banks – increased temperature results in more extreme weather events, with a corresponding increase in height and frequency of storm surges</p>	A planned pathway for the review of these assumptions and the impacts will minimise large impacts upon activities
<p><b>Annual rainfall is expected to increase:</b> By 2040: +0-10% By 2090: +5-20% Increased frequency of high rainfall days, i.e. increase in intensity of rainfall</p>	High	<p>Roading - increased frequency and intensity of rainfall may require extra drainage works in the road network that may alter long-term maintenance costs</p> <p>Stormwater – increased frequency and intensity of rainfall events resulting in increased demand on the network</p> <p>Wastewater - Increased frequency and intensity of rainfall events results in infiltration and inflows that increase volumes to be treated</p>	A planned pathway for the review of these assumptions and the impacts will minimise large impacts upon activities
<p><b>Mean sea level is expected to rise.</b> By 2040: 0.2-0.3 m By 2090: 0.4-0.9 m</p>	High	<p>Errors in modelling will have significant impact on capital works programme required</p> <p>Stormwater – increased tailwater levels require consideration for outfall design</p> <p>Flood Banks – Renewals need to consider increased sea level during design life</p> <p>Sewerage – Clifton outfall may need to be pumped long term</p>	A planned pathway for the review of these assumptions and the impacts will minimise large impacts upon activities

**COUNCIL OPERATIONS**

ASSUMPTIONS	LEVEL OF CERTAINTY	IMPACT OF UNCERTAINTY	COUNCIL RESPONSE
<p><b>Water Reform</b>                      As a result of the Central Government directed Waters Reform, it is assumed there will be a change in water reticulation and sewerage delivery services within the life of the pla.</p> <p>This will result in a structural change for Council in relation to the ownership of assets and associated debt capacity</p> <p>The services will continue to be delivered, but these will be provided by another party</p> <p>This will include increased regulatory requirements as required by the new regulatory authority</p>	<p>Low</p>	<p>The services will continue to be delivered but these will be provided by another party</p> <p>This will be managed in line with Government best practice, and will remain within Council financial and 10-year assumptions</p>	<p>Council will assess proposed reform options when Central Government has provided their final recommendations to Local Government entities</p> <p>Council will proactively engage with neighbouring authorities and central government to ensure that the best result is achieved from any reforms</p> <p>Council is incorporating management of this potential outcome through planning for management of debt</p>
<p><b>Legislative changes</b>                      There will be changes to legislation that have an impact on how Council will provide services. These changes may affect Council organisational structure but not change the level of service received by the customer/ratepayer</p>	<p>High</p>	<p>Changes may affect Council organisational structure but not change the level of service received by the customer/ratepayer</p>	<p>Management will continue to engage with Government and plan for changes in services in response to policy and regulation changes as these arise</p>



COUNCIL OPERATIONS			
ASSUMPTIONS	LEVEL OF CERTAINTY	IMPACT OF UNCERTAINTY	COUNCIL RESPONSE
<p><b>Consents</b> Council will continue to carry out legislation-directed ordinary functions while factoring in an increase to required quality for consent conditions</p>	Medium	If unexpected consent conditions are imposed there may be unexpected costs to compliance	<p>Council will work with the Regional Council early to minimise the risk of unexpected consent conditions</p> <p>The cost of obtaining consents, knowing environmental standards are increasing, will be built into activities</p>
<p><b>The Funding Assistance Rate</b> (as advised from Waka Kotahi NZTA) will reduce by 1% each year until reaching 51% funding assistance in the 2023/2024 and then remain at 51% for the life of the plan</p>	Low	Increase in demand on rate funding for roading activities, including the forecast NZTA portion of the city centre streetscape project	Continue to engage with NZTA on funding assistance
<p><b>Asset life</b> Assets will remain useful until the end of their average useful life, assuming asset average life expectancy assumptions are correct [14]</p> <p>Infrastructure installed in the 1920s are nearing the end of their lives and require renewal within the term of the Infrastructure Strategy</p>	High	Assets may need renewal earlier if this assumption is incorrect and change the renewal profile or may allow delayed renewal in other cases	<p>Review the appropriateness of assets at the time of renewal including, where appropriate, whole of life cycle assessment</p> <p>Increase knowledge of asset conditions to better predict the average use of life if assumptions are lower than expected</p>

COUNCIL OPERATIONS			
ASSUMPTIONS	LEVEL OF CERTAINTY	IMPACT OF UNCERTAINTY	COUNCIL RESPONSE
<p><b>Investment Property and Forestry</b> Investment Property and Forestry Assets are valued on a yearly basis. They are expected to increase in line with inflation. This is reflected in our Financial Strategy, and Accounting policies</p>	High	Variation in valuations have no cash flow implications for Council	Continue to value Investment Property and Forestry assets on an annual basis
<p><b>Capital programme delivery</b> Implementation of a Project Management Office will increase effectiveness of delivery of the capital programme over the Long-term Plan. 70% of the capital programme will be delivered In Year 1 and 75% in Year 2. The financials will be reforecast to reflect the delivery expectations each year</p>	Low	It may take longer to implement the Project Management Office than expected, including, as a result, challenges in attracting qualified personnel. Availability of contractors may have a greater impact than expected. Delay in the programme will result in higher costs as a result of inflation	Active management of project processes, including engaging consultants as required, active and early engagement with contractors. Management of the programme rather than individual projects will enable contractor availability as well as funding levels to be actively managed. The financial risk of higher levels of delivery than expected across multiple areas will be monitored. Any impact of delayed capital expenditure on renewals on maintenance budgets will be actively managed

#### Footnotes

- Council will use national standards for asset revaluation



FINANCIAL FORECASTING				
LEVEL	ASSUMPTIONS	LEVEL OF CERTAINTY	IMPACT OF UNCERTAINTY	COUNCIL RESPONSE
<b>Significant Assumption</b>	<p><b>Inflation</b> Operational forecasts and capital work programmes will increase by the accumulated Local Government Cost Index inflation forecast by BERL</p>	Medium	Cost change factors are based on information developed for councils by Business and Economic Research Limited (BERL). Significant variations to inflation would have an impact on Council's financial management	Council will continue on the planned pathway for the Capital Works programme and review operational revenue & expenses each year
<b>Significant Assumption</b>	<p><b>Asset revaluation</b> Asset values will increase by the accumulated Local Government Cost Index inflation forecast by BERL on the last valuation value. Revaluation occurs in 2021/22 and every third year therefore</p>	Medium	Changes in the valuation or life of Council assets may have a significant impact on Council's financial management and capital programme	Council will continue on the planned pathway for the Capital Works programme and monitor with after each revaluation cycle

FINANCIAL FORECASTING

LEVEL	ASSUMPTIONS	LEVEL OF CERTAINTY	IMPACT OF UNCERTAINTY	COUNCIL RESPONSE
Asset/ Activity Plan Level	<b>Interest rates - Borrowing</b> Expected interest rates on borrowing will be 2.5%	High	The treasury report from Bancorp projects the ICC Borrowing interest rate are currently at 2.20% in 2020, and is expected to fall and remain under 2% for the next 10 years. Significantly higher interest rates would impact Council's financial position	2.5% would allow some upside if the situation changed (interest rates increase or credit rating decreases); but Council have potential to go to 2.25% or 2% to lower costs
Asset/ Activity Plan Level	<b>Interest rates – Cash and Deposits</b> Return on cash and term deposits are forecasted to expect a negative rate at some stage within 2020/2021	Medium	Term deposit rates currently vary from 0.5% for under 6 months to a flat 1% for longer. Most forecasts still expect a negative rate at some stage within 2020/2021	An assumption of 0.5% should be comfortable and if rates do increase again in the future, this will put Council in a more positive position
Asset/ Activity Plan Level	<b>Dividends from ICHL</b> will be \$4.886m + CPI	Medium	This would have a negative impact on Council's overall revenue and cash position, which would increase the burden on ratepayers	Council will consider strategic reliance on dividends noting increased levels of economic uncertainty
Asset/ Activity Plan Level	<b>External Funding</b> It is assumed Council will achieve the level of external funding as estimated	Low	The immediate impact of Covid-19 has been seen in the local community, with reduced funding available from major community funders including the Community Trust of Southland and Invercargill Licencing Trust and Foundation	Council acknowledges the challenge of obtaining external funding at this time  Should Council not be able to obtain funding as indicated this would impact project scope and in some cases require further consultation

# Significant Challenges and Issues

## Ngā take matua

Like many parts of New Zealand, the area served by Invercargill City Council faces a number of strategic challenges in the years ahead.

### Meeting our long-term renewal expectations for infrastructure

Past investment cycles in the 1920's, 1960s and 1990s, particularly in piped networks, have created an echo of renewal requirements, which means that a significant part of Council's infrastructure will require renewal within the term of the Infrastructure Strategy, i.e. 30 years. These forecasts are in line with the assessed industry life expectation of the materials used.

The services provided from piped network assets, namely water supply, stormwater and wastewater, will be subject to larger expenditure increases in coming years to meet demand. These increases are due to the pipes reaching the end of their useful life and the need to renew them before significant failure occurs. Due to a change from depreciation funded infrastructure renewal programmes to a programme based on the end of life of individual assets we have identified a backlog of Three Waters pipes that need to be renewed. This has been managed with a smoothing of pipe renewal programmes of up to 7 years. This is reasonable given the ability to sweat assets to some extent, however, there is no overall impact on infrastructure renewals over the 30 year timeframe of this infrastructure strategy.

The magnitude of renewals expected within Invercargill City and the Southland Region may exceed the capacity for the work to be undertaken in the market place. To manage this, Council plans to develop a regional forward work plan to allow the contracting market to respond appropriately for resourcing.

### Responding to the changing environment (both natural and technological) and retaining Invercargill's character, including its built environment

Climate change is a significant issue for most activities. The most likely immediate risk to assets is the rise in sea level, coupled with increased intensity of rainfall which raises the risk of flooding, unless properly planned for. There will also be a need to review Invercargill's tidal flood protection schemes with wider consultation on the future provision or renewal of flood banks alongside Environment Southland on the waterways through the city, or decide whether it is no longer viable to protect parts of the city. These are long term issues but require a planned pathway for considering them.

Policy setting from Central Government will possibly have the most volatility. Responding to regulation can place extra cost pressures on Council, for example in meeting increasing environmental standards for fresh water or new Discharge Consent Conditions requiring improved discharge water quality.

Council has a good road network but has identified problem areas including safety, asset condition and performance, environment and accessibility as key focus areas for future plans. Council has a number of risks (when considered against national peers) particularly for cycling and pedestrians and at intersections and investment will be focused on safety improvements to

reduce crashes, deaths and serious injuries. Additional funding is needed in resurfacing and rehabilitation programmes and Council will promote programmes for more cycling and walking (active mode of transport). Resilience against more frequent storm events will require contribution to investment in some stop banking.

More recent trends in technology, particularly around retail, accommodation and vehicle use will have the potential to change our society. This has already been seen in the use of community facilities which are changing to be more social and open spaces.

Monitoring the compliance of existing resource consent conditions will provide a record of compliance for future processes. The renewal of consents is dependent upon the legislative and environmental standards and expectations that exist at that time. If a resource consent was not granted, or failed to be renewed for a major Council activity, this would have significant impacts on both costs and the ability to provide that activity. A major non-renewal may mean an entirely new approach to the activity would be required. This could be an issue for future stormwater and sewerage discharge consents.

An option for operational sustainability of our provision of water is to investigate an emergency water supply and in turn increase the resilience of the network.



## The city's changing demographic profile and its ability and willingness to pay

Council's network assets typically have sufficient capacity to meet the needs of the projected demographic profile. However, the continued and increasing investment required in our renewal programmes to maintain levels of service makes up a significant proportion of Council expenditure. The impact of this is that a relatively static ratepayer base (which is ageing) is required to pay for a wave of infrastructure renewals on limited means. The respective Asset Management Plans provide a smoothed renewal plan for infrastructure. This is coupled with Council's Financial Strategy to set out the plan to fund capital and operational expenditure long-term.

Longstanding and slowly advancing issues like population aging are progressively being felt. This can drive increased demand on community infrastructure such as housing care and recreation spaces, including accessibility and capacity at facilities. There is no longer adequate space at Splash Palace due to the current demand on the facility; there is also an increase in disabled users at the facility. As the population ages, Council considers that demand, particularly demand from disabled users, will continue to increase.

## Ensuring Council works in a financially prudent manner that promotes the current and future interests of the community

The biggest challenge of all is one of funding; the changing demographic will mean a high percentage of our population will be on a fixed income. Based on the best information available, this document, in conjunction with the Financial Strategy, aims to provide

a transparent response to the strategic challenges and ensure that the financial cost of providing the necessary infrastructure is predictable.

In the past Council has funded renewals as and when required. Council looks to focus on critical infrastructure assets and allocate capital budgets on renewals at a rate that equals the long-term economic consumption of assets. In some cases, the work is not yet required due to better than expected asset condition. Council is seeking to improve its understanding of asset condition to develop a more mature asset renewal programme. This can lead to smoothing of renewal profiles to minimise yearly variations in asset renewal budgets. This assists in informing the contracting market in order to provide appropriate resources over a longer term and also assists in achieving better value for money.

Assets were revalued in June 2019 and will be revalued each three years thereafter. The asset revaluation process informs the financial allocation (the equivalent of economic asset consumption) each year and considers the latest costings and understanding of lives, allowing for renewals undertaken or additional assets acquired during the period, such as assets vested from subdivisions.

Funding assistance from Waka Kotahi New Zealand Transport Agency (NZTA) is important for roading activities; this is the Funding Assistance Rate (FAR). Council's 2020-2021 rate was 54% but is reducing to 51% by financial year 2023-2024. This will mean more ratepayer funding is necessary as less is contributed by NZTA.

## Water reform

Central Government has signified its dissatisfaction with the current model of delivery of service by Territorial

Authorities for potable water and foul sewer. Central Government has suggested that fewer, but larger, organisations would result in an improved level of service. Territorial Authorities in the Southland and Otago region have committed to a study to investigate what form of organisation would best suit the region. Stormwater, at this stage, has been excluded from the reform, however it is likely to be impacted by the new National Environmental Standards for Freshwater. The full impact of the reform cannot be quantified at the time of preparation of this strategy or the associated AMPs. However, the potential impacts upon the individual activities are discussed within the respective AMPs.

## CBD revitalisation

The CBD revitalisation is an important challenge for Invercargill. This includes the Invercargill Central development along with CBD master planning which looks at integration of the Invercargill Central development with the wider CBD. While there is limited impact on Council's Three Waters (stormwater, foul sewer and water) infrastructure as a result of the CBD revitalisation there is a potential impact on the roading and parks and recreation activities. The master planning work has begun and the roading and parks and recreation activities will respond to the potential impacts once the result of the master plan has been confirmed. Reasonable estimates of the capital programme requirements have been included within this LTP.



# Our Strategic Response to the Challenges and Issues

## Tō mātou whakautu ki ngā take

Council has recognised a number of important challenges and issues which will impact the community over the next 30 years and potentially longer given the expected lives of some asset components.

Council has developed a number of key responses which will be utilised in making decisions in day-to-day operations and the long-term planning for assets. The Strategy for the delivery of Asset Management is listed below.

### Maintain our current asset base

Council sees that it is important not to encourage wider expansion in providing infrastructure beyond that which is currently serviced or outlined in the Asset Management Plans or District Plan. By limiting future growth of services, the long-term financial responsibility can be better managed. Invercargill has, through the district planning process, clearly set where planned growth is desirable and required. Where expansion of infrastructure is acceptable the initial cost of this infrastructure is expected to be met by the development while also ensuring the whole of life cost for the new infrastructure is acceptable. Limiting expansion to align with these processes is appropriate.

### Renew assets at the rate of asset consumption

Over the medium to long-term, Council proposes to renew assets at the rate of asset consumption. This ensures the long-term sustainability of our asset

portfolio. Within specific asset types there will be a need to smooth renewal programmes to minimise the impacts of past investment cycles, as noted within the Significant Challenges and Issues section of this strategy.

### Focus on asset criticality

In a move to reduce large and sudden increases in rates on the Community, the strategy looks to balance the risks of failure of some elements of each system (e.g. water pipes). Simply put, pipes with a lower criticality rating will have their replacement delayed. This strategy will enable a reduced financial demand in the short-term but it clearly needs to be understood that this approach increases potential failure risks which must have supporting financial mechanisms. These risks need to be understood and managed by improving our asset management maturity.

### Focus on sound evidence based activity decision making

Council has identified that making better investment decisions is an important response for managing long-term assets. Using tools such as the better business case approach are another way of supporting good asset decisions.

### Understand our community

Council has recognised that a better understanding and improved communication with the community will enhance the way in which infrastructural assets are managed. It is vital to align the community's expectations and needs with the service delivered by the assets, given that they are long life assets and a significant financial investment. The assumptions made in any planning process create tangible inputs to future design and decision making. Council is developing an engagement strategy to assist develop a better understanding.

Other considerations include:

- Should unplanned failures occur, use a mix of Council's financial "good health", accumulated reserves and/or insurances (where appropriate) to manage risks.
- Ensure growth is focused on social, financial and operational sustainability, and aligned to the vision.
- Utilise subsidies, user payments, rates and loans to ensure that both current and future communities pay for the asset they are using.
- When arranging contracts or significant activities, consider how investment decisions may impact a viable competitive supplier market in the Region.



# Our Tools to Deliver the Strategy

## Ā mātou rauemi

### Strengthen our asset management

Council has recognised that strengthening its asset management processes will produce more robust long term outcomes.

Responding to this Council has established a whole of organisation approach to Asset Management, and aligned desired outcomes with the Asset Management Policy and Strategy.

Council continues to utilise the International Infrastructure Management Manual 2015 (IIMM) to identify what is achievable through adopting best appropriate international practice and also strengthen internal knowledge and expertise.

Having a strong platform for delivering asset management will allow robust plans to be developed and then delivered. This will require upskilling of asset managers and their support teams with a goal to continually improve asset management knowledge within the organisation. Without this knowledge and ability to know and analyse the networks and assets, future renewals decision-making may be less than optimal. The long term understanding (in its widest context) of the renewal of assets is the key to ensuring assets are being managed at the right level in the most appropriate way.

The Asset Management Policy confirms for Council the asset management objectives and responsibilities, with the high level commitment of Councillors ensuring the appropriate stewardship decisions are developed,

understood and through the business case process appropriate investment decisions are being made. Asset management is not just how well the asset is managed, but also understanding the assets and utilising an investment focused approach to decision making for the community in both the short and long term.

The Asset Management Strategy defines a detailed approach to how Council will advance the management of infrastructure assets to appropriate levels of maturity, how the objectives in the Policy will be achieved, and the approach for developing and implementing Asset Management Plans. Council will continue to develop the quality of our asset data, better understand how the assets need to be managed, with these improvements ongoing for the life of the strategy.

Using independent peer reviews of Asset Management Plans, the Asset Manager's development work has been assessed to ensure that future delivery plans meet legislative requirements. Where gaps in best or appropriate practice expectations have been identified in the activity, improvements have been noted within the Improvement Plan sections which highlight those future actions needed to strengthen the delivery of the activity.

The following diagram shows how each aspect of asset management contributes to successful delivery. Also important is the "line of sight" from the Long Term Plan to delivery of programmes, with clear linkages between work programmes and the objectives.



### **Better investment decision making**

Asset management decisions have both short and long term impacts on the community. This strategy looks to ensure that these decisions are made with the best knowledge available using current thinking in understanding and communicating investment logic.

Government, through Treasury has accepted the "The Better Business Case (BBC) approach" as being a way to ensure that investment is well considered and appropriate decision making can occur. This approach asks questions of the asset areas - what is the problem, what are the benefits of solving it, and how should this occur considering the options available.

### **Engage our customers to better understand their needs and wants**

Council is currently developing an Engagement Strategy that will shape how each area of Council, including elected members and staff, will engage with our community in the future. It is anticipated that the Engagement Strategy will assist in delivering positive outcomes to the community by identifying how the different groups within our community wish to be engaged on different topics.



**Councillor  
Allan Arnold**

# Linking the Long-term Plan to Activity Plans

## Te hononga

COMMUNITY OUTCOME	COUNCIL'S ROLE	HOW THE ACTIVITY CONTRIBUTES
Enhance our city	Invercargill's economy continues to grow and diversify	<p>Roading provides the vital connections with state highways for the freight task distributing the goods needed for a city and throughout the city</p> <p>The Stormwater Activity protects urban areas from flooding</p> <p>The Sewerage Activity receives and treats trade waste</p> <p>The Water Activity provides a water network with sufficient capacity to meet demand and firefighting requirements</p>
	Invercargill's business areas are bustling with people, activities and culture	<p>Roading (pavements) contributes to accessibility, via integrated networks of connected roads and footpaths</p> <p>Safe roads allow freedom of movement for residents including appropriate lighting</p>
Preserve its character	The building blocks for a safe, friendly city are provided for all members of the community	<p>Safe roads allow residents to select a mode of transport they wish to use with confidence</p> <p>Street lighting allows residents to feel safe at nights</p> <p>Roading corridor management contributes to make events have safe road and pedestrian access to use</p> <p>Wide streets and low traffic allows ease of movement, together with networks resilient and reliable for all events</p> <p>Properties are protected from flooding damage, and receiving waters are not adversely affected by contaminated discharge</p> <p>The Sewerage Activity protects public health by the safe collection of sewage</p> <p>The Water Activity provides a safe reliable supply of water</p>
		<p>Ease of access throughout the city is maintained</p> <p>Roading provides roads to connect people, signs to direct, footpaths for pedestrians, street furniture for streetscape usage</p> <p>CBD areas have high amenity values</p>
	Strong, collaborative leadership of the city is demonstrated	<p>Good asset management delivers infrastructure in leading the City</p>
	Embrace innovation and change	The development of future industry is encouraged
Technology is utilised in both existing and new city services		<p>Street facilities such as visitor signs, streetscape, seating, and car charging etc offer high value people space and have flexibility to quickly adapt</p>

# Priority Projects and Options

## Ngā kaupapa matua

The focus of Council's Infrastructure Strategy over the next 30 years is to maintain and renew its current assets to ensure that the assets remain in such a condition as to continue to deliver a reliable and similar level of service to that currently being provided. They will be upgraded where appropriate to enable Council to meet increasingly higher environmental standards. The levels of service and how they are provided will also reflect the changing needs of our ageing population.

Council does not anticipate any significant expansion of the infrastructure networks. The key projects contained within this strategy are outlined below.

- Potable water, foul sewer and stormwater renewals
- Roading renewals
- Emergency water source
- Wastewater treatment plant discharge consent renewals (and the associated physical works upgrades)
- Stead St Stopbank upgrade
- City centre streetscape
- City reservoir renewal
- Waikiwi reservoir renewal
- Clifton treatment facility renewal and upgrade
- Branxholme treatment station renewal



# Significant Decisions

## Ngā whakataunga matua

### Water – emergency water source

ISSUE AND CONSEQUENCE	OPTION	IMPLICATION	COST
<p>Invercargill City is at high risk being reliant on one open source water supply. If this water supply is contaminated or not useable as a result of a catastrophic event, the city could be without access to water for a significant time</p> <p>Time frame for decision: June 2023</p>	<p>Develop a new secondary water source</p>	<p>Invercargill has a resilient supply of water, any event of significance will have a reduced risk to the community</p>	<p>\$ 17,000,000</p>
	<p>Increase water storage. Either untreated water at the Branxholme Water Treatment Plant or within the city</p>	<p>Level of protection will be limited to size of storage. And is likely to mitigate only for short term events. Any storage structure will be subject to being managed as any other constructed asset, i.e. maintenance and renewal plus exposure to damage during seismic events</p>	<p>Not costed but likely to exceed that for option above</p>
	<p>Do nothing</p>	<p>Invercargill is vulnerable to the potential of having limited water after a catastrophic event. Should there be no water supply then evacuation of the city may become necessary</p>	<p>\$0</p>

## Sewerage – discharge consent renewals 2025 & 2029

ISSUE AND CONSEQUENCE	OPTION	IMPLICATION	COST
<p>Wastewater Treatment Plant Discharge Consents require renewal in 2025 for Bluff, and 2029 for Clifton</p> <p>Timeframe for decision:</p> <p>Bluff Consent – June 2022</p> <p>Clifton Consent – June 2026</p>	<p>Negotiate new consents for discharge to Coastal Marine Area</p>	<p>Bluff: Impacts on receiving environment are low. Quality improvement may not be required</p> <p>Invercargill: Nutrient removal likely to be required to reduce load on estuary</p>	<p>Bluff: \$200,000 for consent renewal</p> <p>Invercargill: \$10,000,000 plus for nutrient removal</p>
	<p>Remove discharges from Coastal Marine Area. Pump Bluff effluent to Clifton (2025), and discharge Clifton effluent to land (2029)</p>	<p>Bluff: Discharge Consent not required. Receiving water improvement at Bluff, and additional effects at Clifton would both be minor</p> <p>Clifton: Effects on estuary would reduce, and may be transferred to catchment in which land disposal area is located. Suitable disposal site has not been identified</p>	<p>Bluff: \$3,100,000 capital plus \$164,000 per annum operational</p> <p>Clifton: \$28,000,000 capital plus \$3,100,000 per annum operational</p>
	<p>Do nothing.</p>	<p>Failure to renew consents would result in regulatory action by Environment Southland, and directive to fix</p>	<p>Unknown cost to defend legal action, and for fines imposed by courts. Court imposed directives to upgrade may also apply</p>



# Changes to Levels of Service

## Ngā panonitanga ki ngā ratonga

Levels of Service (LOS) for asset groups included within this Strategy are not planned to have significant changes implemented. During the Long-term Plan (10 years) and the Asset Management Plan (AMP) (30 years), ongoing consideration of the Levels of Service will be undertaken and where changes are sought these will be included in future plans. This strategy looks to manage our existing assets at the same level of service. As options are selected within the Long-term Plan process, some changes can occur. Where these are different from the recommended programmes within the Asset Management Programme this document would need adjustment.

Council intends to maintain and renew its infrastructure assets to ensure that the assets remain in such a condition to continue to deliver a reliable and similar level of service to that currently being provided.



# Our Approach to Asset Management

## Te hua whakahaere

Council has recognised that to provide a better service to the community we must strengthen our approach to asset management and the systems we use.

We must have and use sound evidence based information for decision making, the risks faced must be quantified in a consistent and formal way, and we must work closely as a co-ordinated team within Council across all departments.

We will deliver asset management through the following means:

### Statutory and regulatory requirements

Asset Managers must ensure that all Statutory and Legislative requirements are known and are covered by the set levels of service which are monitored. Regular reports on performance against these targets are made through Council Committees and Council structures.

Corporate wide approach to Health and Safety systems for all employees and contractors working on assets is in place and managed outside this strategy.

Council holds a number of consents for its core activities, in particular:

#### Stormwater

Discharge stormwater to water

A discharge consent for stormwater to the coastal marine area is yet to be applied for

#### Sewerage

Bluff treatment plant discharge consent

Clifton treatment plant discharge consent

Omaui treatment plant discharge consent

#### Water

Abstraction consent

Discharge consent for filter backwash

We assume that we will obtain reasonable consent conditions at the time of renewal of these consents, however, we recognise that the Bluff and Clifton wastewater treatment plant discharge consents may require significant capital upgrades to meet potential consent conditions. These have been flagged as key decisions in Section 10.

Development work has been assessed to ensure that future delivery plans meet legislative requirements.

Where gaps in best or appropriate practice expectations have been identified in the activity, improvements have been noted within the Improvement Plan sections which highlight those future actions needed to strengthen the delivery of the activity.

The following diagram shows how each aspect of asset management contributes to successful delivery. Also important is the "line of sight" from the Long-term Plan to delivery of programmes, with clear linkages between work programmes and the objectives.

### Asset management policy and asset management strategy

Council must continue to maintain suitable governance and guidance documents in the form of policies and strategies to direct the delivery of asset management. These documents are considered by Council and when adopted they set the forward governance framework for staff to operate within. These documents also provide a high level plan which Council should expect itself to meet and exceed through having systems and processes which aid delivery. These areas may include the level of maturity Council sets for each asset group, how it is resourced, and the level of expertise it holds in-house. These documents also set the commitment to funding renewals and other activities, and need to be aligned and referenced when reviewing budgets or financial decision making.

### Asset management information systems (AMIS)

Council will have systems which are capable of storing asset information and data in a coordinated and managed way, which is able to assist with the stewardship of owning assets.

These systems will be nationally recognised and have a low Information Management operational risk.



Currently two systems are utilised being Infor IPS (for piped networks, buildings and Parks) and RAMM for roading. Both are recognised systems and are capable of delivering analytical processes to assist in the development of advanced asset management solutions.

RAMM has been used by Council for nearly 30 years and has high data availability. It is supported in decision-making by dTIMS which has been used in NZ for around 20 years for long term predictive modelling and pavement renewal forecasting. Infor IPS has been recently implemented and updated data is now being sought for identified gaps.

Council's AMIS systems need to be adequately resourced and funded and will be budgeted within the relevant asset budget.

### **Progressively improve asset evidence**

All asset data are collected and maintained accurately using Asset Management Information Systems (AMIS), this data includes:

- Asset attributes – e.g. size, material
- Asset condition
- Performance
- Age and expected life
- Value and cost to replace
- Criticality

A common criticality framework is planned to be developed which considers risk and resilience in decisions. Predictive models for asset condition will be developed and used to determine preventative maintenance needs and improve renewal programmes when and where data is available, and if it is not available, start to gather the data which is required.

### **Operate in a prudent manner**

When assets are added to existing portfolios, lifecycle management and operational costs are considered.

Services will be regularly reviewed to ensure they are being delivered effectively, efficiently and to best practice. Structures will also be reviewed (Section 17A of LGA) to ensure that any opportunities are understood and changes implemented.

When procuring operational and/or maintenance services (in-house and outsourced) or renewal works, value for money is attained through competitive procurement processes aligned to best practice. Generally, an open market process is used for contracts with key outcomes being whole-of-life cost, contractor performance, and Health and Safety.

Financial performance will be monitored and reported against Annual Plan Budgets aligned with quarterly reports to Council.

### **Renew in a financially prudent manner**

Existing assets are maintained and networks are only extended in accordance with the District Plan, Asset Management Plans, or where Council resolves on a case-by-case basis. It is generally expected that where an extension to the network is required for a subdivision or development, the costs associated with these extensions will be borne by the developer. The strategy suggests that land we need to maintain and manage existing assets and not look to grow or expand the services provided by these assets.

Risk, cost, whole of life operating costs and benefits will be considered before accepting any new privately funded assets constructed in association with property development.

Financial inputs are a key element to decision making and working closely with Council's finance teams is important. Making evidence driven sound investment decisions through the use of advanced asset management and business case analysis is the direction planned.

An organisational approach is taken to prepare for the Long-term, Annual and Asset Management Plans. This approach prioritises renewal projects based on optimised decision making, major expenditure decisions are prioritised in order from the highest benefit cost ratio with consideration of condition, criticality, performance and non-asset solutions being recognised in the process.

The revaluation cycle has been adjusted to ensure it is carried out the year before the review of Asset Management Plans. Therefore the 2019 asset valuations are being used in the 2021 Asset Management Plans and LTP.

This strategy in conjunction with the Financial Strategy, requires a funding level that allows for the renewal of assets at a rate that is equivalent to their respective asset consumption profiles moderated by criticality, unless agreed otherwise such as in footpaths. The Financial Strategy provides details on how Council will fund these renewals.

This approach allows for a balance between renewal funding and depreciation, but develops an understood and acknowledged risk profile for Council that can be assessed and managed through financial, risk-based and investment-focused tools and techniques.



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## Levels of service and demand

Levels of service are consulted on and agreed through the Long-term Plan. This is the best time to review demand forecasts, and these are documented in AMPs. We seek to understand customer and community requirements for levels of service and identify any gaps or demands for change by:

- Monitoring requests for service
- Understanding the utilisation and capacity of our infrastructure
- Using satisfaction surveys and/or specific focus groups

Council endeavours to ensure that levels of service are set at agreed sustainable levels and moving forward any change to levels of service will have an evidence based decision (benefit cost ratio or similar assessment factor) developed to demonstrate the impact of the changes.

## Improve the asset management system

Asset Management Plans are developed to agreed maturity levels as outlined within the Asset Management Policy. This policy is reviewed as part of the Long-term Plan development and more frequently if required.

Each plan is developed using a consistent framework and approach with similar sections and layout. This has been based on the Treasury Better Business Case Model. This approach assists to ensure all components are developed consistently, has similar and high visibility of key areas for readers to compare activities, and uses techniques developed for evidence based decision making.

Asset Management Plans have a 30 year minimum horizon for planning, particularly for renewals. However, many assets, such as piped networks, bridges, kerbing, and buildings have lives in excess of the plan length of 30 years. These assets, with lives sometimes up to 100 years or more, are considered over their whole-of-life with the AMP generally only reporting the 30-year window. Technical analysis is used and wherever possible modelled for impacts over the life cycle. Should a significant impact be identified just beyond the AMP minimum report period, it will be included to show that material aspect of the future planning cycle.

Each plan has an improvement plan and proposed actions are a key area where future advancement needs to occur. The Improvement Plans and Actions are reviewed and ideally reported to the Executive Leadership Team.

The wider Asset Teams co-ordinate to ensure common direction and actions are known and best practice is acknowledged and shared. Each plan has a specific owner and responsibility.

The Corporate Risk framework is under review with all plans having a specific risk register which is actively maintained and evaluated to reduce impacts.

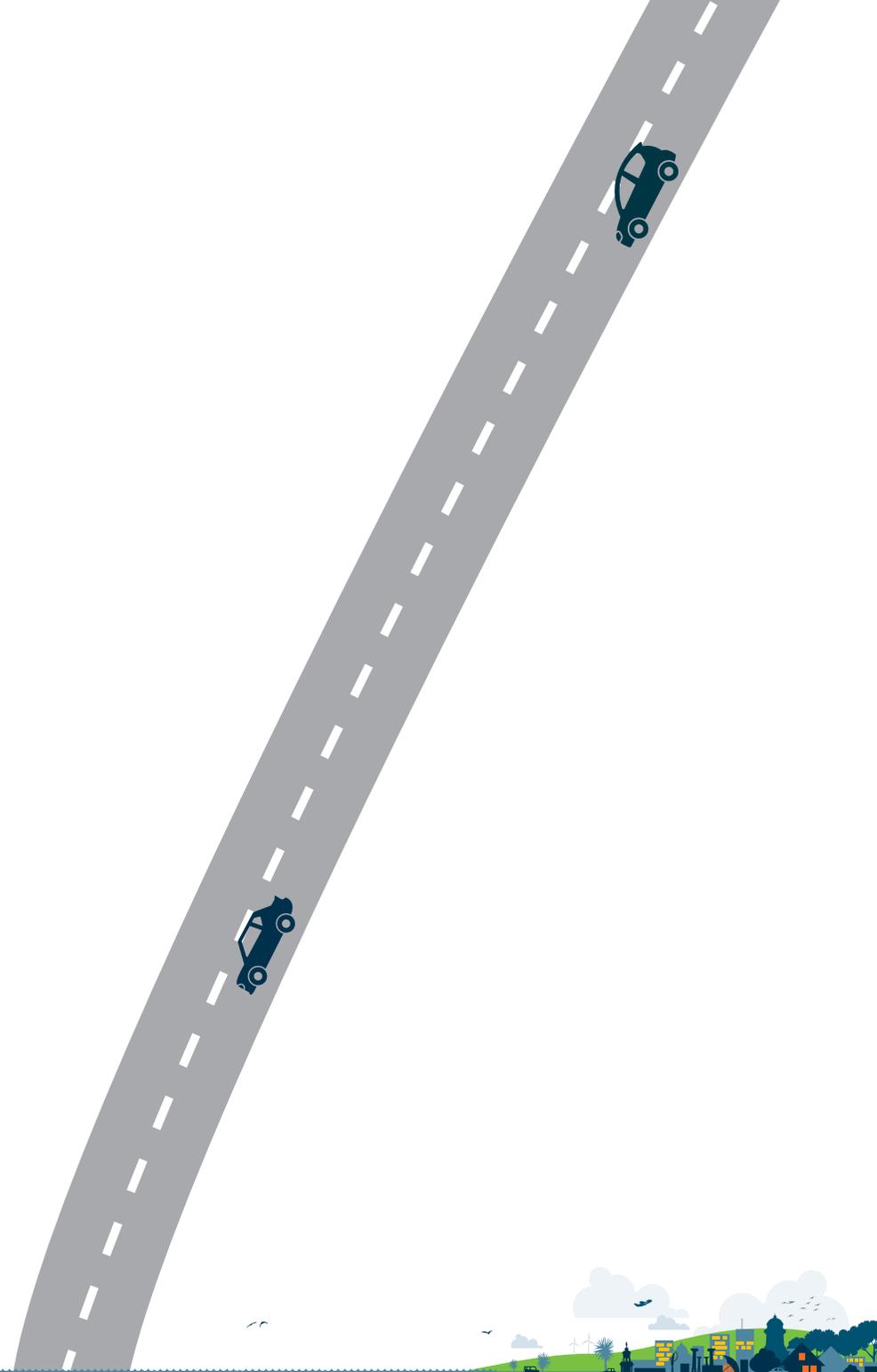


## Sustainability and resilience

Environmental effects are considered in operational and renewal planning and decision-making in order to reduce negative impacts wherever possible. Emerging technologies will be considered when appropriate for sustainability and if they can deliver service improvements. Both resilience and vulnerability are considered through corporate lifeline projects and as these plans are strengthened their outputs will be included in current AMPs.

Resilience is planned to be reviewed and improved along with the Corporate Risk framework, which includes contingency planning. When planning asset renewals, resilience is considered in the process of developing options. Further work is planned on understanding specific infrastructure risks, such as liquefaction susceptibility, as this influences renewal strategies for different parts of Invercargill.

The effects of climate change and sea level rise on future renewals and existing infrastructure are also to be considered in order to minimise negative impacts on both infrastructure and Invercargill's communities.



# How We Are Going To Fund Infrastructure

## Te take putea mō te hanganga

The Infrastructure Strategy develops the asset activities which need to be planned for and delivered over at least the next 30 years.

This strategy needs to work and interact with the Financial Strategy and through these connections develop methods and options for the planned works to be funded in the short and long term in a sustainable way.

The Financial Strategy provides details on the methods that Council will use to balance the financial demands from assets with the ability and willingness from ratepayers and users to pay for them.

By getting infrastructure spending right, Council can assist our community and economy in continuing to thrive, while fairly distributing costs across generations of users. This strategy will assist both Council and the community to make well-informed decisions regarding the future development of any assets, as well as the maintenance and renewal of our existing assets.

Council believes it has a strong financial position which allows a 'safety net' if renewals demands are required sooner than anticipated and planned by the strategy timing.



Councillor  
Darren Ludlow

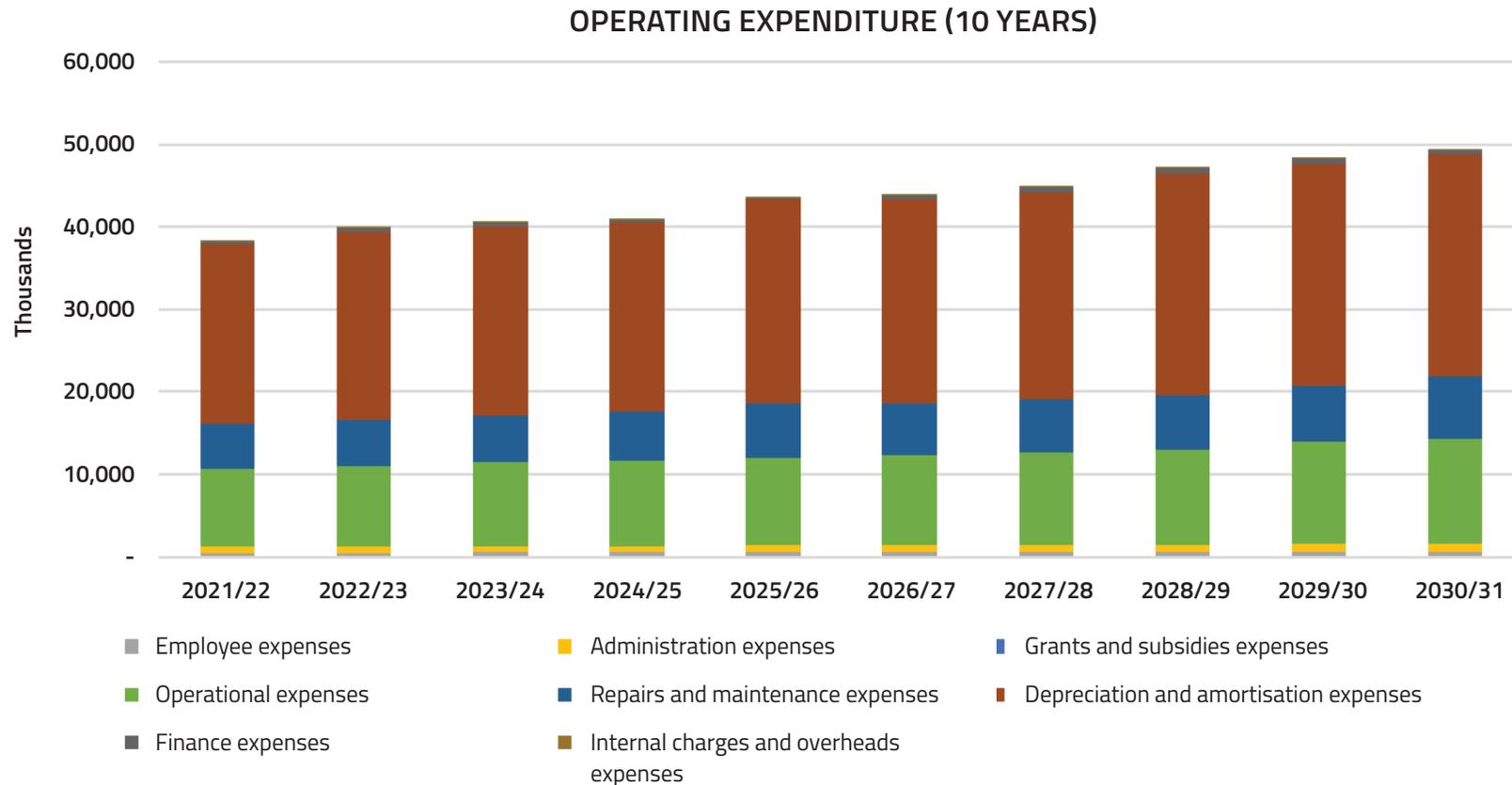
# Long Term Financial Estimates

## Ngā whakatauranga tata pūtea

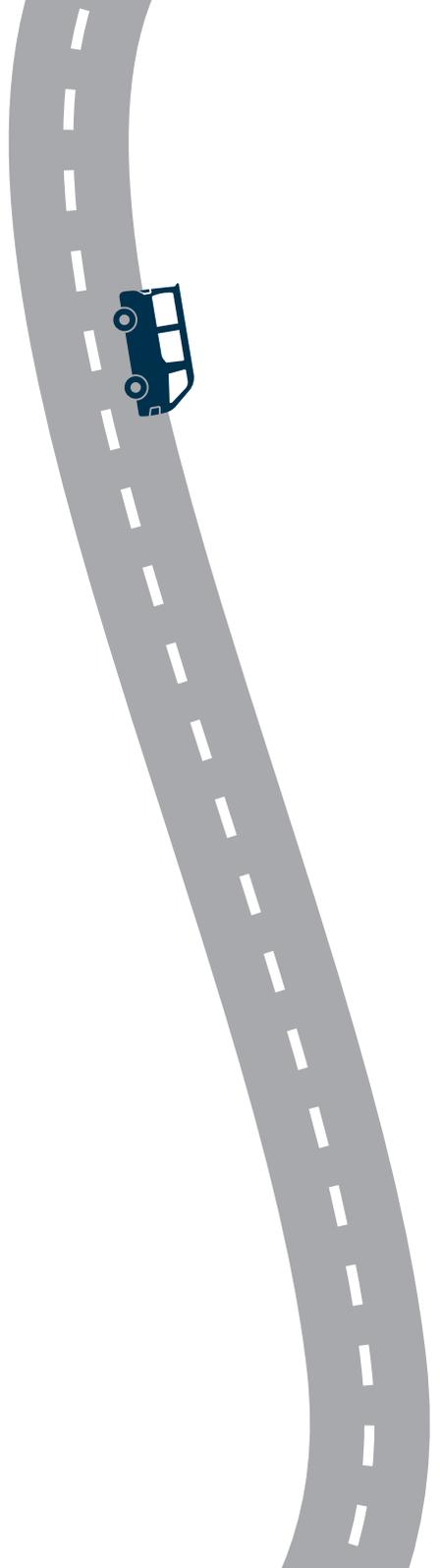
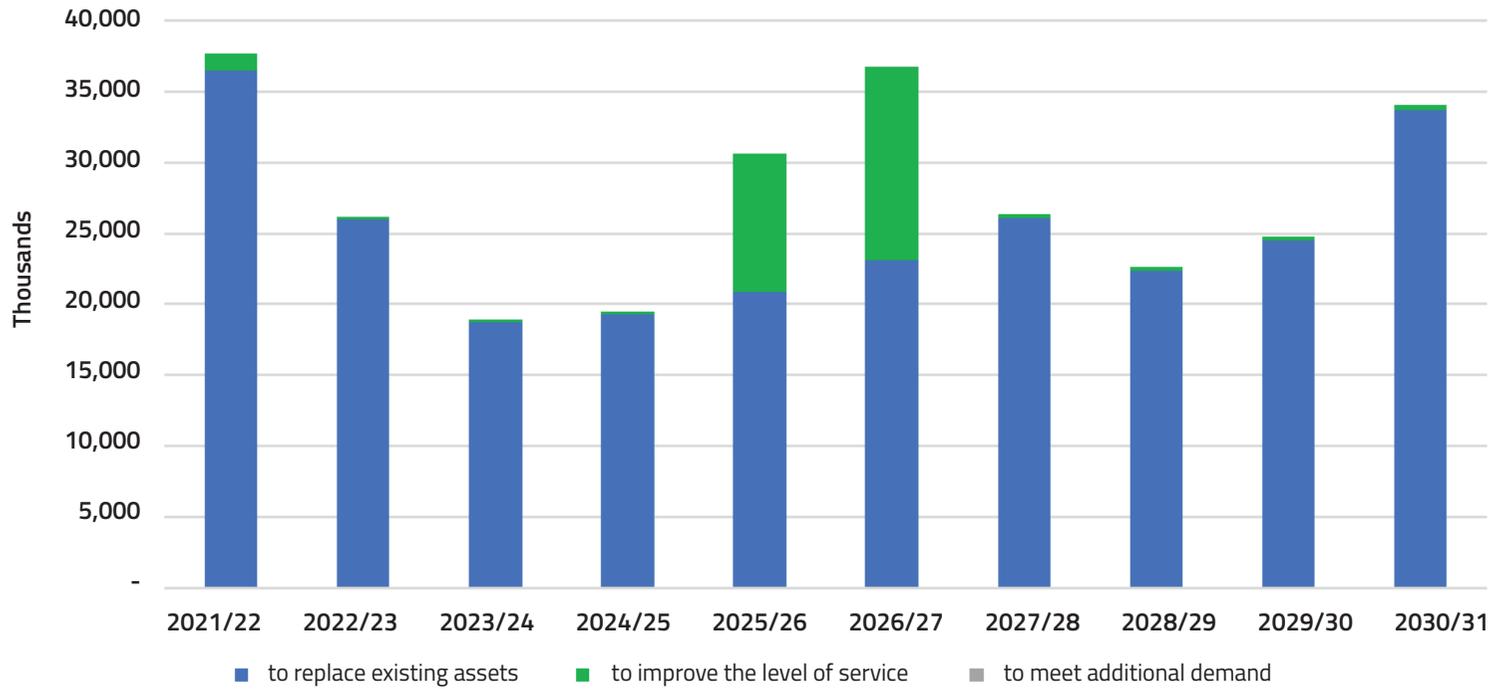
The financial estimates shown below are based upon the Financial Strategy's inflation model and these estimates include inflation

### Core infrastructure expenditure

The two graphs below show, in detail for the first 10 years.

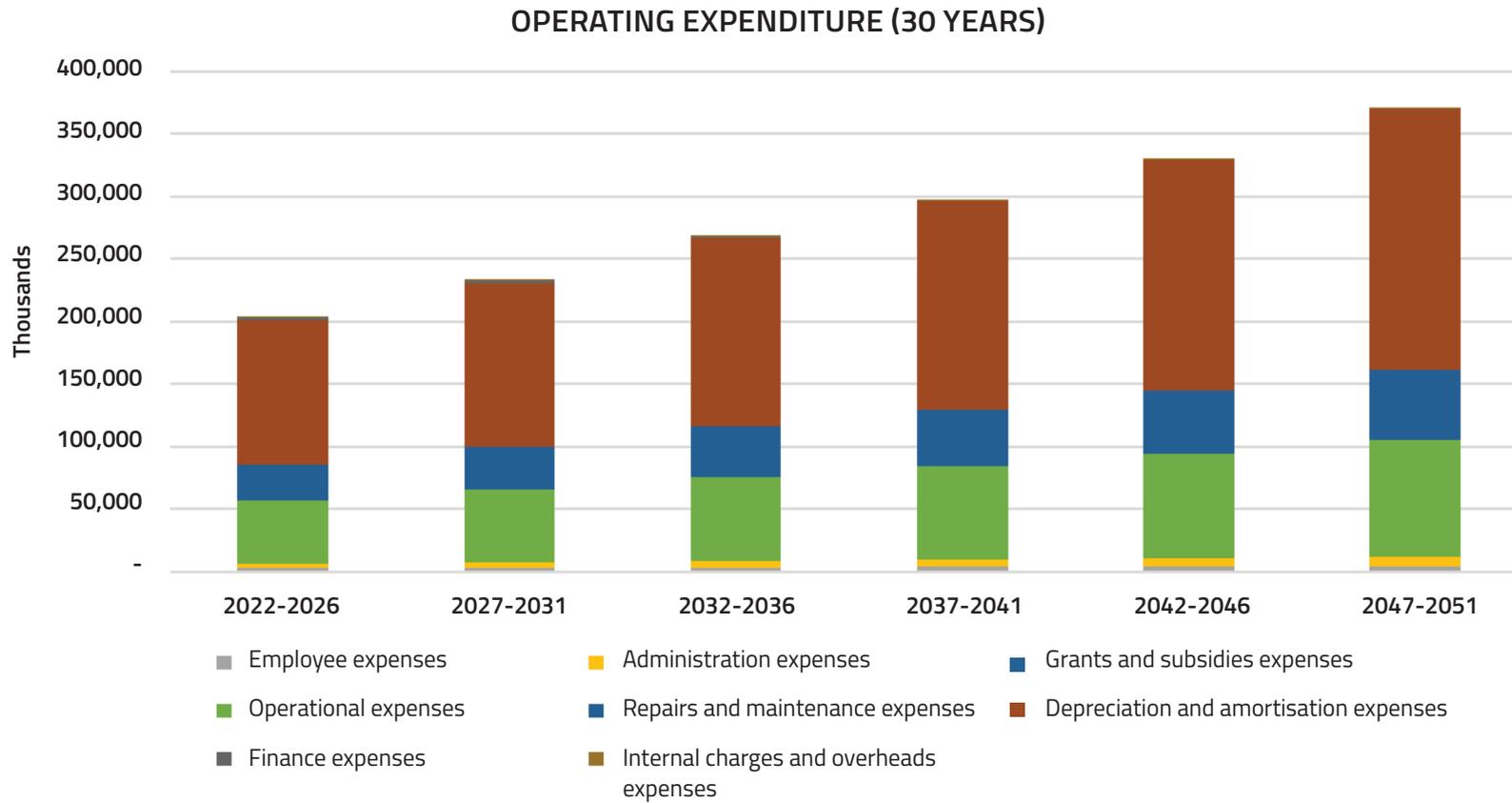


### CAPITAL EXPENDITURE (10 YEARS)

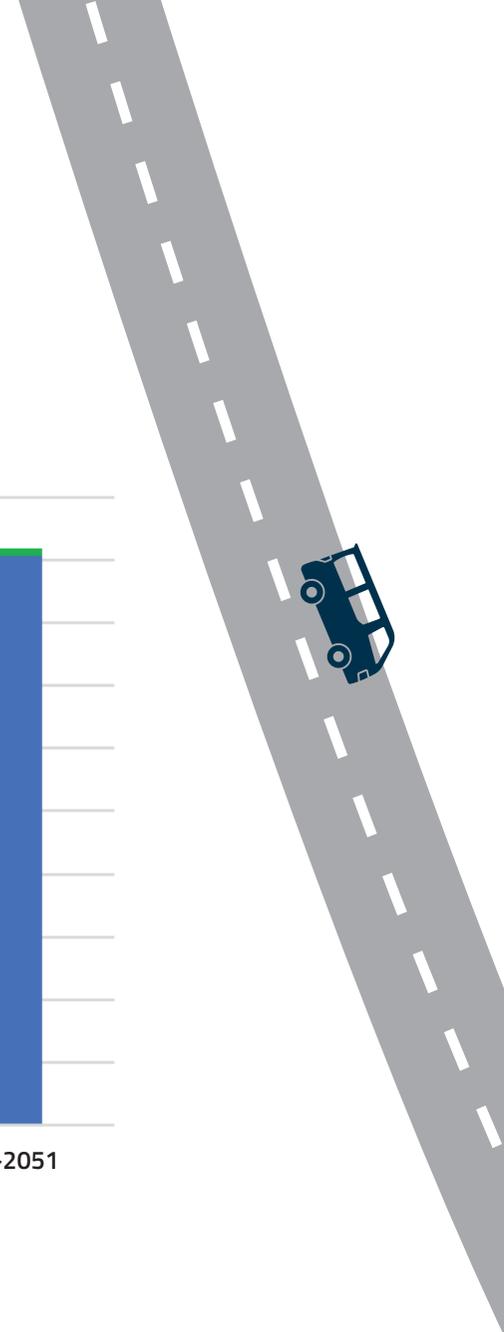
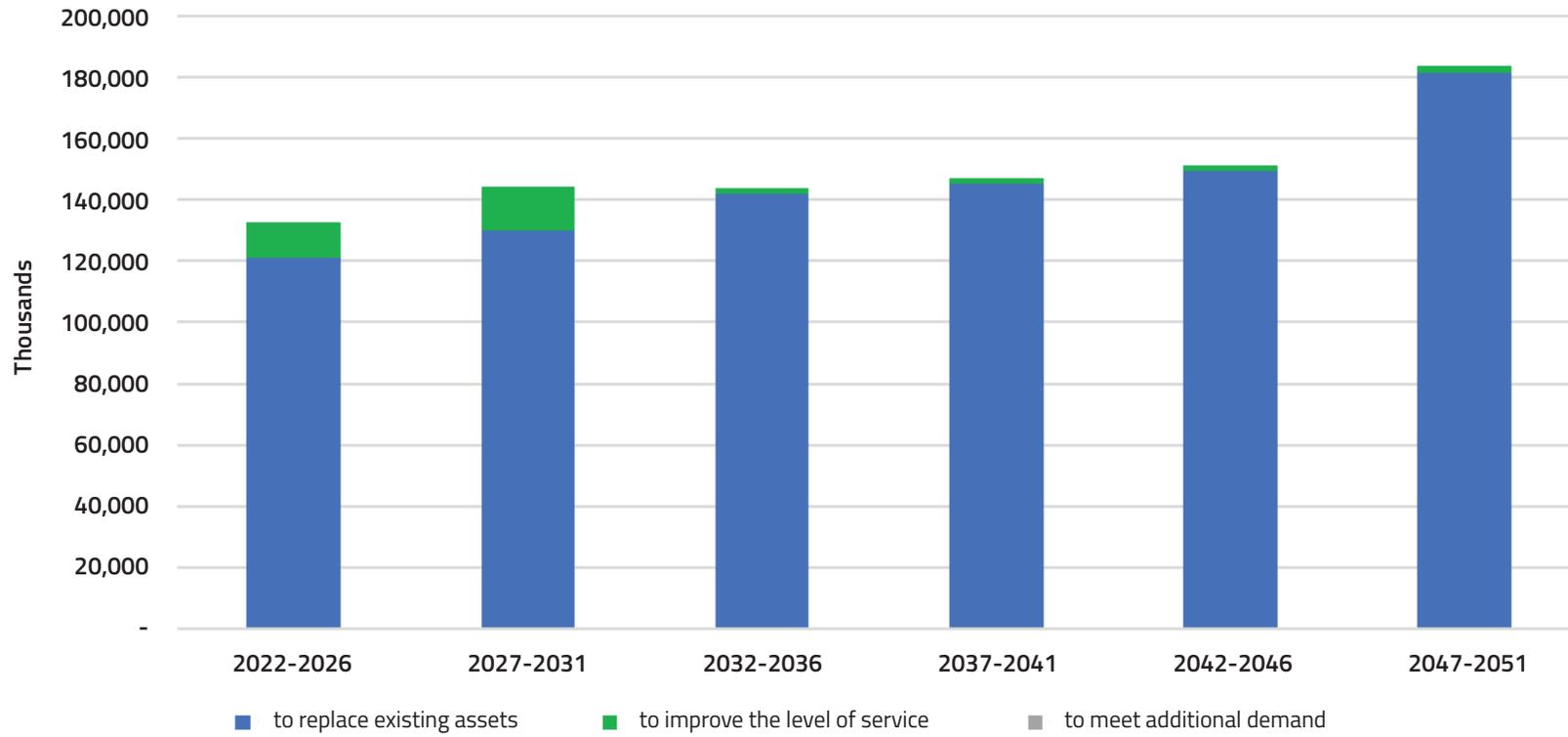


## Core infrastructure expenditure

The two graphs below show the core infrastructure funding anticipated over the next 30 years.



### OPERATING EXPENDITURE (30 YEARS)



## Total infrastructure financials

Below are details for the first 10 years, of the total infrastructure financials anticipated over the next 10 years

	2020/21 ANNUAL PLAN (\$'000)	2020/21 FORECAST (\$'000)	2021/22 LTP (\$'000)	2022/23 LTP (\$'000)	2023/24 LTP (\$'000)	2024/25 LTP (\$'000)	2025/26 LTP (\$'000)	2026/27 LTP (\$'000)	2027/28 LTP (\$'000)	2028/29 LTP (\$'000)	2029/30 LTP (\$'000)	2030/31 LTP (\$'000)
<b>OPERATING</b>												
Rates revenue	27,194	27,194	28,444	29,760	31,136	32,575	33,999	35,485	36,949	38,285	39,572	40,807
Subsidies and grants (Capital)	3,743	9,461	10,481	8,597	5,037	4,241	4,942	4,852	4,900	5,006	5,396	5,183
Subsidies and grants (Operational)	3,481	3,746	4,163	3,184	3,303	3,404	3,493	3,581	3,720	3,788	3,874	3,975
Direct charges revenue	3,455	3,463	3,723	3,878	4,037	4,198	4,355	4,519	4,676	4,817	4,950	5,074
Rental revenue	29	86	226	233	224	230	236	242	248	256	262	269
Finance revenue	96	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue	360	360	360	370	379	389	400	409	420	431	443	455
Internal charges and overheads recovered	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<b>38,358</b>	<b>44,310</b>	<b>47,397</b>	<b>46,022</b>	<b>44,116</b>	<b>45,037</b>	<b>47,425</b>	<b>49,088</b>	<b>50,913</b>	<b>52,583</b>	<b>54,497</b>	<b>57,763</b>
<b>EXPENSES</b>												
Employee expenses	13	488	498	512	526	538	552	566	580	597	613	628
Administration expenses	539	740	740	759	779	800	821	842	861	884	912	936
Grants & subsidies expenses	50	50	-	-	-	-	-	-	-	-	-	-
Operational expenses	8,519	9,585	9,467	9,726	10,115	10,321	10,635	10,857	11,178	11,444	12,407	12,694
Repairs & maintenance expenses	4,525	5,386	5,336	5,556	5,735	5,955	6,522	6,263	6,400	6,599	6,750	7,572
Depreciation and amortisation	21,711	21,711	21,765	22,865	22,868	22,870	24,727	24,864	25,056	27,011	27,014	27,017
Finance expenses	470	452	413	471	455	349	280	415	657	632	543	460
Internal charges and overheads applied	2,395	28	28	29	29	30	30	32	32	34	35	35
<b>Total expenses</b>	<b>38,222</b>	<b>38,440</b>	<b>37,247</b>	<b>39,918</b>	<b>40,507</b>	<b>40,863</b>	<b>43,567</b>	<b>43,839</b>	<b>44,764</b>	<b>47,201</b>	<b>48,274</b>	<b>49,342</b>
<b>OPERATING SURPLUS / (DEFICIT)</b>	<b>136</b>	<b>5,870</b>	<b>9,150</b>	<b>6,104</b>	<b>3,609</b>	<b>4,174</b>	<b>3,858</b>	<b>5,249</b>	<b>6,149</b>	<b>5,382</b>	<b>6,223</b>	<b>6,421</b>
<b>CAPITAL EXPENDITURE</b>												
▪ to meet additional demand	-	-	-	-	-	-	-	-	-	-	-	-
▪ to improve the level of service	-	132	1,188	232	237	243	9,678	13,672	262	270	277	284
▪ to replace existing assets	-	17,625	36,464	25,972	18,714	19,270	20,896	23,106	26,083	22,330	24,472	33,724
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>-</b>	<b>17,757</b>	<b>37,652</b>	<b>26,204</b>	<b>18,951</b>	<b>19,513</b>	<b>30,574</b>	<b>36,778</b>	<b>26,345</b>	<b>22,600</b>	<b>24,749</b>	<b>34,008</b>
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-	-

## Total infrastructure financials

Below are details in five year blocks, of the total infrastructure financials anticipated over the next 30 years

	2022-2026 LTP (\$'000)	2027-2031 LTP (\$'000)	2032-2036 LTP (\$'000)	2037-2041 LTP (\$'000)	2042-2046 LTP (\$'000)	2047-2051 LTP (\$'000)
<b>OPERATING</b>						
Rates revenue	155,914	191,098	223,907	261,027	304,291	354,732
Subsidies and grants (Capital)	33,298	25,337	28,400	35,346	40,500	42,456
Subsidies and grants (Operational)	17,547	18,938	21,226	23,665	26,385	29,421
Direct charges revenue	20,191	24,036	27,329	30,923	34,985	39,588
Rental revenue	1,149	1,277	1,436	1,601	1,785	1,990
Finance revenue	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Fines	-	-	-	-	-	-
Other revenue	1,898	2,158	2,427	2,705	3,016	3,364
Internal charges and overheads recovered	-	-	-	-	-	-
<b>Total Revenue</b>	<b>229,997</b>	<b>262,844</b>	<b>304,725</b>	<b>355,267</b>	<b>410,962</b>	<b>471,551</b>
Employee expenses	2,626	2,984	3,357	3,742	4,173	4,653
Administration expenses	3,899	4,435	4,990	5,570	6,196	6,919
Grants & subsidies expenses	-	-	-	-	-	-
Operational expenses	50,264	58,580	67,756	75,546	84,213	93,921
Repairs & maintenance expenses	29,104	33,584	40,437	45,086	50,268	56,046
Depreciation and amortisation	115,095	130,962	150,172	166,848	185,247	208,451
Finance expenses	1,968	2,707	1,252	86	2	-
Internal charges and overheads applied	146	168	187	211	237	262
<b>Total expenses</b>	<b>203,102</b>	<b>233,420</b>	<b>268,151</b>	<b>297,089</b>	<b>330,336</b>	<b>370,252</b>
<b>OPERATING SURPLUS / (DEFICIT)</b>	<b>26,895</b>	<b>29,424</b>	<b>36,574</b>	<b>58,178</b>	<b>80,626</b>	<b>101,299</b>
<b>CAPITAL EXPENDITURE</b>						
▪ to meet additional demand	-	-	-	-	-	-
▪ to improve the level of service	11,578	14,765	1,517	1,691	1,886	2,101
▪ to replace existing assets	121,316	129,715	142,161	145,256	149,325	181,543
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>132,894</b>	<b>144,480</b>	<b>143,678</b>	<b>146,947</b>	<b>151,211</b>	<b>183,644</b>
Gross proceeds from sale of assets	-	-	-	-	-	-



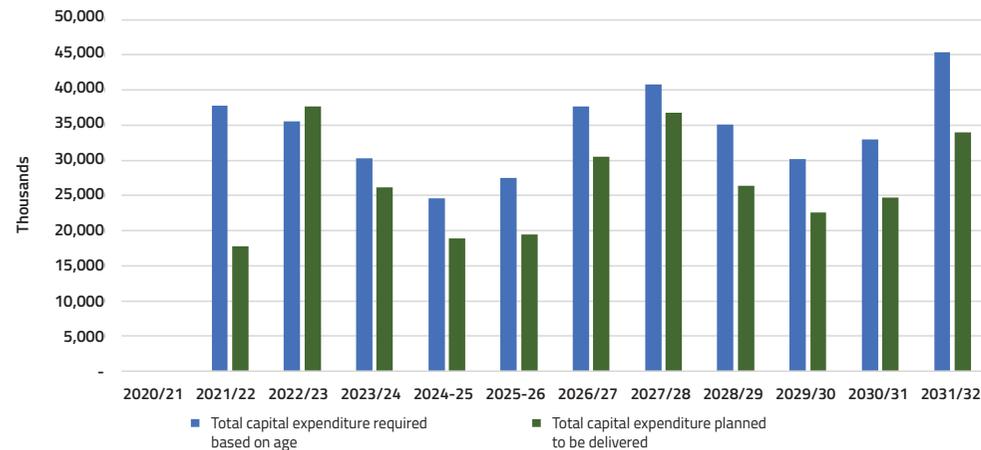
## Total infrastructure financials

Below are details of the capital expenditure planned to be delivered vs what is required based on age over the next ten years

	2020/21 ANNUAL PLAN (\$'000)	2020/21 FORECAST (\$'000)	2021/22 LTP (\$'000)	2022/23 LTP (\$'000)	2023/24 LTP (\$'000)	2024/25 LTP (\$'000)	2025/26 LTP (\$'000)	2026/27 LTP (\$'000)	2027/28 LTP (\$'000)	2028/29 LTP (\$'000)	2029/30 LTP (\$'000)	2030/31 LTP (\$'000)
<b>Capital expenditure required based on age</b>												
▪ to meet additional demand	-	-	-	-	-	-	-	-	-	-	-	-
▪ to improve the level of service	200	1,771	309	316	324	9,761	10,005	350	359	369	379	3,975
▪ to replace existing assets	37,568	33,749	29,940	24,250	27,133	27,861	30,810	34,780	29,770	32,630	44,963	5,112
<b>TOTAL CAPITAL EXPENDITURE REQUIRED BASED ON AGE</b>	<b>37,768</b>	<b>35,520</b>	<b>30,248</b>	<b>24,567</b>	<b>27,458</b>	<b>37,622</b>	<b>40,815</b>	<b>35,130</b>	<b>30,129</b>	<b>32,999</b>	<b>45,341</b>	<b>8,436</b>
<b>Capital expenditure planned to be delivered</b>												
▪ to meet additional demand	-	-	-	-	-	-	-	-	-	-	-	-
▪ to improve the level of service	132	1,188	232	237	243	9,678	13,672	262	270	277	284	3,975
▪ to replace existing assets	17,625	36,464	25,972	18,714	19,270	20,896	23,106	26,083	22,330	24,472	33,724	5,112
<b>TOTAL CAPITAL EXPENDITURE PLANNED TO BE DELIVERED</b>	<b>17,757</b>	<b>37,652</b>	<b>26,204</b>	<b>18,951</b>	<b>19,513</b>	<b>30,574</b>	<b>36,778</b>	<b>26,345</b>	<b>22,600</b>	<b>24,749</b>	<b>34,008</b>	<b>8,436</b>

## Financial implications

### CAPITAL EXPENDITURE PLANNED TO BE DELIVERED VS REQUIRED



# Financial Strategy

## He ara whakaoho

### Prudent Financial Management

Prudent financial management is a legal requirement for Councils. Subpart 3 of the Local Government Act provides for a level of predictability for ratepayers, and highlights the need for decisions to be made in the interests of current and future residents.

The major components of a good strategy tie in three key factors:

- Capital expenditure identified to continue to deliver sustainable levels of service. This includes:
  - costs to renew existing assets,
  - to provide for increasing levels of service where desired, and
  - to provide for growth if necessary
- Borrowing is a rationed resource. Council does not have unlimited borrowing capacity and the ratepayers do not have unlimited resources to pay increasing rates for increased debt servicing
- Rates are a limited resource. Council must be mindful of the impact rates has on ratepayers. It runs into two limitations. The first is ability to pay, and the second is willingness to pay. Ability to pay is addressed through the government rates rebate, but willingness to pay is harder to define

### Key challenges

Invercargill will be exposed to several challenges over the next ten years. Those challenges include:

1. A demographic change toward an ageing population with less growth than forecast.
2. Growing pressure to recognise climate change effects
3. Significant capital expenditure on existing infrastructure
4. Emerging pressure on higher standards for water, stormwater and sewage disposal
5. Growing pressure to amalgamate Three Waters into larger service delivery entities
6. Investment in the Inner city
7. Ageing Buildings needing significant upgrade or replacement (including Rugby Park, Museum, Civic Administration building among others)

However, acknowledgment of these challenges is the first hurdle to overcome. Commentary on items 1-3 is included below.

For water and sewerage reform, Council has taken an approach of business as usual. The combination of rising standards and amalgamation of waters into separate entities address problem and solution. Council approach to these is that ICC will continue to deliver water and

sewerage according to our plans, and that if new entities are formed in the next three years as expected, then they will get assets and a revenue base that has been maintained.

Investment in the Inner city and ageing buildings has been addressed through the capital work programme.

There are no other factors that are expected to impact on ICC ability to maintain existing levels of service and to meet additional demands for service.



## Demographic changes

In the recent past there was a short-term trend for provincial city populations to decrease, leading some commentators to raise the spectre of “ghost towns”. This followed several years of slow decrease in population with an increased drift to major urban centres. In the past three years this trend of lower populations and decreasing real estate values has slowly reversed. Invercargill has seen significant lifts in property values and discussions have emerged relating to housing shortages. The recent outbreak of Covid-19 will create significant uncertainty about the near and medium-term economic outlook and that will flow through to property and population. However, it is too early to determine whether that will be a short term “blip” in the statistics or move provincial NZ to more growth or more retraction. That trend will take some time to determine, however analysis at this time shows that Invercargill population growth has outstripped recent StatsNZ mid-range forecasts.

While Council will be taking action to influence a positive outcome rather than a negative impact, it is worth reflecting on what the impact of change may be for Council and the community. In relation to growth the city has most of the infrastructure necessary to service a population for most of the growth in the Long Term Plan. Council has already identified a need for another water supply to mitigate the risks of a single source of supply. That need would be accelerated if population rises. The costs of an emergency water supply are highlighted in the Water Activity. Another effect of growth would be on the volume of sewage outfalls. An increased population may put additional pressure to improve the quality of the outlets for treated sewage, however it is expected

that the standards for these will be lifted when the current consents need to be renewed. Increasing population would likely see the current increase in house prices continue, with more houses being built to cope. Subdivision capacity for growth is not unlimited but is able to respond to market demand. New subdivisions are responsible for providing all of the infrastructure for new properties (roads, footpath, stormwater pipes and water and sewerage pipes) so the increase for Council is the maintenance of those assets, which is funded from the increased rates. Costs only fall to Council if the major arterials and collector pipes need to be upgraded through growth. This is not envisaged to be a factor in the next 20 years.

Major demographic shocks are possible through Central Government reform. Those reforms include:

- Reform of the Southland Institute of Technology will have an uncertain impact on the number of both foreign and NZ students living in Invercargill to complete their studies
- Increasing likelihood that water, sewage disposal and stormwater disposal will be delivered by Central Government
- Potential future closure of Tiwai point

These changes are uncertain, and so cannot be planned for. The extent of the change and impact is unknown. However, it takes a significant change to significantly impact on Council services and costs. Also, it takes some time for the community to make decisions and adjust to the change. Council will need to respond to the collective impact of individuals choices.

If population reduces it can have different impacts:

- The same number of properties but a lower average persons per property
- Sales prices of properties reduce and they take longer to sell. The market adjusts for these changes
- Properties are unable to sell and get abandoned, and then subsequently demolished. This has occurred in New Zealand in past decades but typically in much smaller communities than Invercargill. A trend at this level takes time to emerge and so there is time to manage it if it emerges. Communities need to be mindful of this possibility. The sooner it is identified the better it can be managed

Due to the significant uncertainty of the current economic outlook, Council is not planning for major changes in population. Our past observation is that the changes in recent year have been both up and down and the impact has been minor.

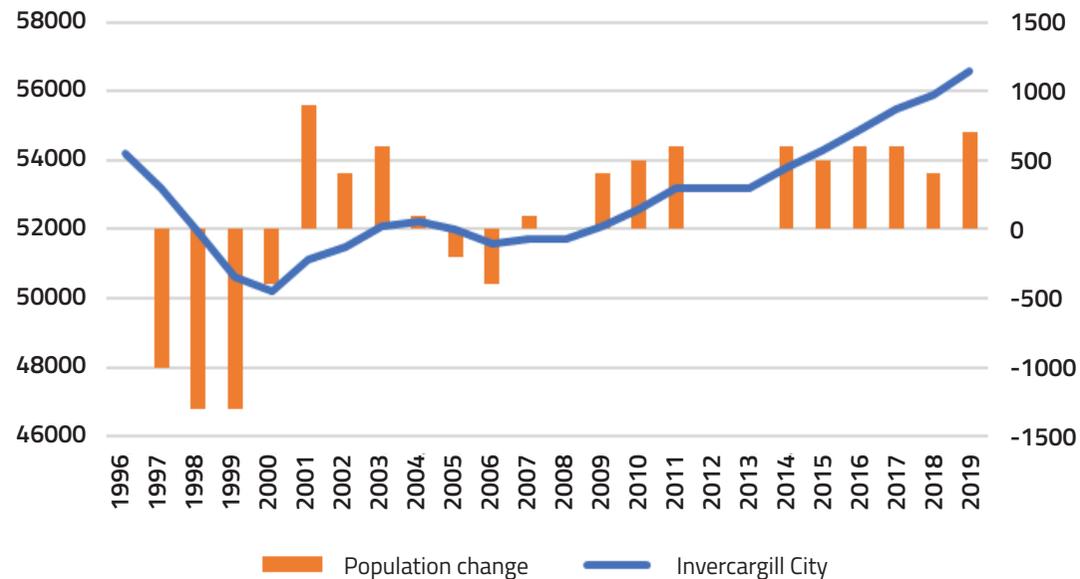
Changes in the composition of population by age group and ethnicity are also expected to continue. This change is not expected to have a significant change in the services provided by Council, although Council will adapt to these changes as they emerge. Changes may occur in the nature and shape of Council’s activity programmes for operating activities. These changes will not be significant and will occur within the current funding envelopes.

One major composition change that may impact significantly is dependent on the economic fall-out from Covid-19. It is expected that this will have a significant impact on unemployment, although how much and where and when that may occur is extremely uncertain. Council will be monitoring unemployment levels for Invercargill/Southland and also other statistics for homelessness and crime. If necessary, Council will change its programme delivery to address these issues. Council expects that if these occur there will be Nation-wide initiatives to help address these. Council will be ready to engage in these for the benefit of Invercargill. Council will also modify its operational programmes if needed.

Information from Statistic NZ shows the population change for Invercargill since 1996. The shape of the blue line indicates why there has been significant change in the Invercargill housing market. After a long period of decline to be below the 1996 population, the population rose to be at a similar level to 1996 in 2015. Steady growth since then has put pressure on existing housing supply. That pressure has built-up and the latest Rating Values show very large rises in residential property values averaging around 50% since 2017.

An increase in population of 500-600 people per annum is around 1%. Our assessment of growth for the LTP has been included at 0.6%. The impact of growth for the city is positive for the next 10 years as it can occur with within the current and planned infrastructure so does not incur additional cost.

## INVERCARGILL POPULATION CHANGE



There is a consistent theme within Council's community outcomes. The outcomes demonstrate that the Council will maintain a strong, safe and well-utilised city with an increased, more diverse and active population who encourage the development of future technology and embrace the facilities offered to them.

Council seeks to encourage this through the development of growth projects and sustainability of existing services. However, it is not anticipated that land use will change to an extent that would have an impact on debt over this course.

With low growth anticipated for the number of properties, Council notes that the current infrastructure network is set to service the community, provided it is renewed when required. Council's infrastructure network has been built to service a population much larger than that which currently resides within the city.

The historic pattern of Invercargill growth and development means that a number of the Council's assets were built at the same or a similar time, and therefore generally require renewal at a similar time. As a result there will be peaks in renewal costs which are evident within this Strategy.



## Growing pressure of Climate change

Climate change has been noticeable in some forms for a number of years. There is no doubt that the weather patterns have developed more extremities. Council is noticing a combination of more storms, with flooding, and more droughts. These higher extremes place more pressure on Council infrastructure services. Higher frequency of storms leads to increased costs on roads to recover from storm damage, also the flooding frequency could lead to a need to upgrade the capacity of the stormwater network to mitigate flooding of buildings. Droughts create more frequency and longer duration of water peak use, and that puts stress on the current single source of water.

In addition to the weather pattern changes, rising sea levels are a future concern. Invercargill is a flat and low-lying city; parts of the City are likely to be impacted by rising sea levels.

While not wanting to diminish the significant future impact of these issues the timeframes for sea level rises are into the future, rather than the ten-year planning horizon of this plan. It is expected that rising sea levels will have an impact on some Invercargill properties, those that are low lying and close to the sea. Assessment of the impact of the mid-range forecast of sea level rise for the Southland region shows that the number of areas impacted by a 1m rise in Invercargill are very minimal. The potential impact of more significant sea level rises will emerge over time and individual property owners will become aware of the impacts well in advance. Council will be aware of future developments and will be mindful

of rising sea levels when considering Resource consents for new properties and the impact on future District Plans. Council will not impact individual's property rights by taking pre-emptive action on existing properties where the current uncertainty remains. As this may have an effect of making a future possible loss for a property owner a certain current loss. At this stage that would be unfair to both the property owner and the ratepayers who may then have to fund the loss.

## Significant Capital Expenditure

This Strategy operates in line with the Infrastructure Strategy and observes that over the next ten years the cost to the Invercargill community to preserve, renew and maintain our infrastructure assets will be significantly higher than previous renewal costs. Because of this the rates increase will be higher than in previous years. When looking at this Strategy it is important to understand where Council is starting from and where it wants to get to in ten years. As at 30 June 2020 the financial situation of Council is one of good health, with reasonable strong capacity to invest for the future.

Council was meeting four of the six prudence benchmarks. It has a relatively low level of debt compared to other New Zealand Councils and a low level of debt compared to its rate revenue. Council asset position showed total assets of over \$1 billion and investments of \$97.6 million with no significant liabilities outside of term debt. Council also had its credit rating from Fitch Rating upgraded from AA to AA+ stable, which further supports Council's strong financial position.

The ten years covered by the Long-term Plan does present the Council with challenges financially. This is in response to the Council's increasing knowledge of its infrastructural assets and the increasing demand for improving infrastructure. This is of particular importance for Water Supply and Stormwater, as communities within New Zealand are becoming more concerned about drinking water quality and reducing contaminant entering our waterways via stormwater runoff.

Invercargill City Council, like many other Councils, has a pattern of under delivering on its capital spending plans. There are 2 potential methods to address this:

1. Spend more money to ensure that the capital is spent. Taking this path would require greater knowledge of the obstacles related to capital projects, and indicates a sense of certainty that does not exist in reality.
2. Recognise that there is a sense of guess-work in the programme and recognise that it will not all be delivered within the arbitrary time constraints that are an integral constraint of financial planning. That constraint is the accounting concept of a financial year.

Council will take a joint approach:

- additional resource being engaged to monitor capital project delivery,
- provision of funding for a portion of the items listed in the plan.

The level of funding provided for the renewals component of the capital programme will gradually rise from 70% to 75% of the programme over three years. This recognises that the assessment of work and timing is uncertain. The renewal capital programme is based on average lives, and while it is supported by evidence, it clearly cannot be based on prospective asset condition.

When resorting to statistical references for averages it can be seen:

An average life of 80 years will have a level of variation for each asset. This is called a standard deviation. Statistics tells us that there is almost certainty that an asset will need to be replaced within 3 deviations. If the variation is 5 years, which is reasonably conservative, then it can be almost certain that an asset will be replaced in one of 30 years. Being 15 years before the average and 15 years after – not as precise as modelling may suggest.

In regards to major projects, 75% will effectively mean that the projects will be delivered 25% later than that indicated in the plan. That is, a two year project will take 28-30 months, which is a significant improvement on our historic delivery.

Council is also focused on growing Invercargill's community assets and reinvigorating Invercargill's CBD. A number of large community projects are planned throughout the ten years, all part of making Invercargill a more desirable place to live and work. These initiatives are also designed to complement and support the Southland Regional Development Strategy. The main projects that

fall within this category include a new urban play facility and art centre within the CBD and a museum redevelopment.

The Council, via its subsidiary company Invercargill City Holdings Limited, is taking part-ownership of a company that is planning a major upgrade of the inner city area.

The end goal for Council is to provide its citizens with a city that is maintaining and improving its key infrastructure assets while understanding that a city needs to also be a vibrant, entertaining and an interesting place to live, work and play.

Financially this means that Council will be increasing its debt over the life of the Plan in order to achieve what it has set out to do.

Depreciation is calculated on an annual basis and currently represents 27% of total operating expenditure.

Charging depreciation each year spreads the cost of an asset over its useful life.

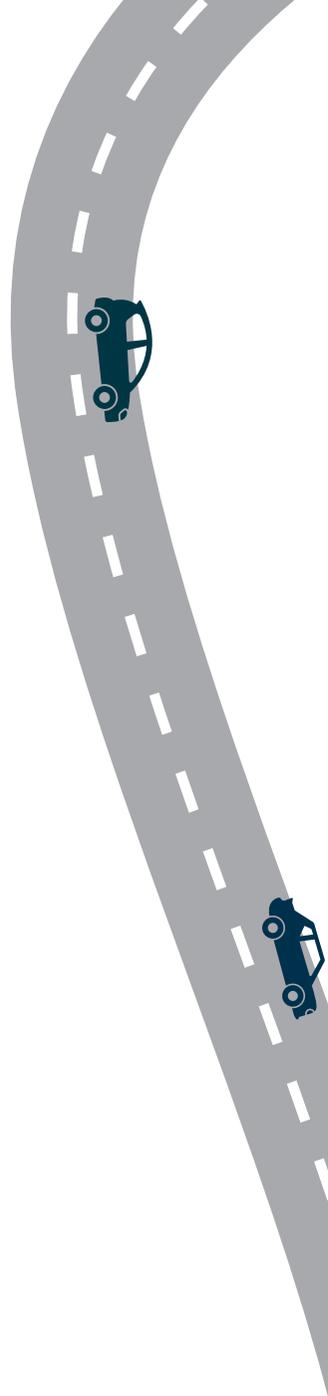
Council is proposing to balance its budget in each year of the LTP. With Council's net debt approach and a balanced budget Council is funding depreciation at a global level. Council does not fund depreciation on a service-by-service basis. Council does not transfer depreciation into special reserves but for some targeted rates outlined below any cash surplus after meeting all costs (excluding depreciation) and capital spending will be placed in a targeted reserve so rates for that purpose will only be used for that purpose.

Those targeted rates that will have a targeted reserve are:

- Water Rates
- Sewage disposal rates
- Stormwater
- Transportation
- Central City Coordinator
- Bluff Community Board.

While depreciation is an important indicator of the true long-term cost of the service, as it reflects a level of asset consumption in a particular period, it is not panacea for the long-term sustainability of a given service. Assets have been purchased by a combination of debt and annual revenue. The goal of the funding of services is that there is a level of equity between generations that is that each generation pays a fair share. Depreciation can be a proxy for this equity but there are a number of circumstances where this does not hold true. New assets that have a high debt have the cost of debt and depreciation to meet. However, debt has a lower cost over time due to inflation, and the generation that has the debt pays interest and contributes to repayment of the debt. This reduction of debt lowers the costs for future generations through two mechanisms. The first being the inflation effect on debt and the second being the debt repayment.

The financial strategy reflects a prudent approach to debt and inter-generational equity.



## Intergenerational Equity

The services that the Council provides are costly due to the value and amount of assets that are used. The Council's strategy is to ensure that both current and future ratepayers pay their fair share of the cost of providing services. Intergenerational equity is achieved through loan funding long-term assets and drawing rates to pay for the loan over an extended period of time. Also, depreciation assists in intergenerational equity by ensuring that a cost is recognised for the consumption of the assets. Where debt is low and future asset renewal is approaching, the generation that is consuming the asset should also be contributing to its replacement. For major renewal the level of service remains the same before and after replacement. This ensures that both current and future users pay for the assets. Examples of this can be found in the Invercargill City Council Infrastructure Strategy.

Replacement of an asset with a like asset should not lead to a significant increase in the funding required for a service. If that occurs it indicates that funding is not equitable, as ratepayers of the future are paying a higher cost for the same level of service enjoyed by previous ratepayers at a lower cost.

## Debt Management

### Net Debt

To aid understanding and predictability of funding requirements Council has introduced the concept of net debt.

*Net Debt = total borrowings less cash and cash investments.*

Council is able to borrow and invest money at similar interest rates. Sometimes it is slightly higher and sometimes slightly lower. Currently the interest rate paid on debt is lower than the amount which can be

earned on an investment. As Council is a conservative organisation it does not borrow for the sole purpose of investing. In some years there may be financial gain from that, but in other years it will have a cost. Borrowing for the sole purpose of investing is considered to be too close to speculation. It is imprudent to speculate with ratepayers' money. However, to gain future certainty of funding costs Council may decide to borrow in anticipation of capital spending. In such a case the funds will be invested for a short period.

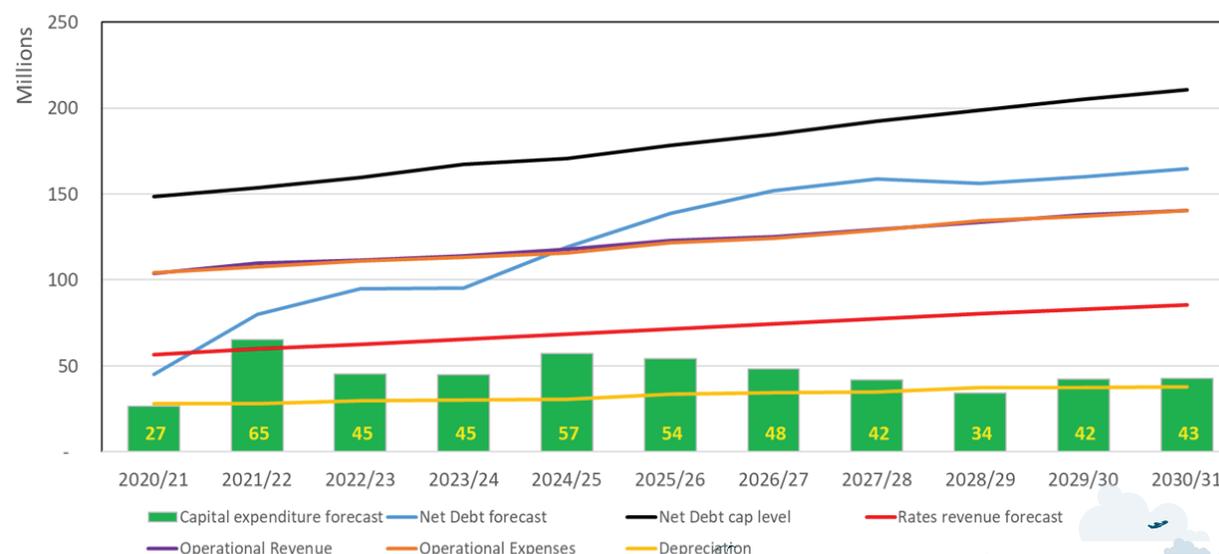
### Borrowings

The Council's debt (excluding Invercargill City Holdings Limited (ICHL) bond) remains relatively low against the Council's total assets base (11.8% as at 30 June 2020). However, Council recognises that it has \$100m of uncalled capital within ICHL. That capital can be called at the discretion of the directors of ICHL. Therefore in determining the maximum debt to would be prudent to incur, allowance needs to be made for the possibility of the capital to be called.

As a borrower from LGFA there is a maximum debt that Council can borrow. As a Credit rated Council that limit has been 250% of annual operating revenue. This is expected to rise to 300% before falling back to 280% over a number of years. Due to the reduction to 280% being in 5 steps it would be unwise to take debt above 280%. In addition to the uncalled capital Council needs to make provision for unforeseen shocks. It would not be prudent to be at the maximum debt and then find a recession or natural disaster impacts on costs or revenue, with the potential to push the organisation above debt limits and therefore not able to access the necessary cash.

To be prudent Council has set a maximum debt level of 150% of revenue. This provides an increasing net debt cap over time rising from \$148M to \$210M

While Council remains focused on keeping debt to a manageable level over the course of the Long-term Plan, large infrastructure projects as well as future growth projects necessitate the need for Council to take on an increased level of debt.



### Debt repayment

A significant issue for this LTP and this strategy is the increasing debt at a time when interest rates are at historic lows. This exposes the community to a significant risk of increased interest rates.

Debt is predicted to get close to the debt limits in the first 5 years of the plan. With borrowing rates as low as 1%, a rise of 1% will double the rates requirement to pay the interest. Every 1% increase in the interest rate would mean a rates rise above the forecast rates increase of about 2.5%. So a 2% rates rise would become 5%. Part of this impact can be managed through prudent borrowing, but only for a period of time.

In the interests of intergenerational equity Council should not go to the debt limits without a recognition that the debt will need to be reduced to allow future ratepayers to also undertake projects that will emerge in the future.

The funding strategy for rates will incorporate an amount of 2% of debt to go to the repayment of the debt.

### Security for Borrowings

Council borrows from the Local Government Funding Agency. Part of borrowing from that source is that a standard security over rates is required. This is the most common security for Local Authority borrowing and is understood by the financial market lenders. It means that there is the ability in the event of a debt default for a security agent to set a rate to be able to pay the loan requirements.

The Council currently maintains an AA+ credit rating.

### Cash and Cash investments

The Council must ensure that each year's projected operating revenues are set at a level sufficient to meet that year's operating expenses, unless the local authority resolves that it is financially prudent not to do so.

Council aims to operate a surplus for the duration of the Long-term Plan. To maintain sound treasury practice Council holds a range of investments in cash deposits. These are in two groups; funds held for restricted and non-restricted reserves.

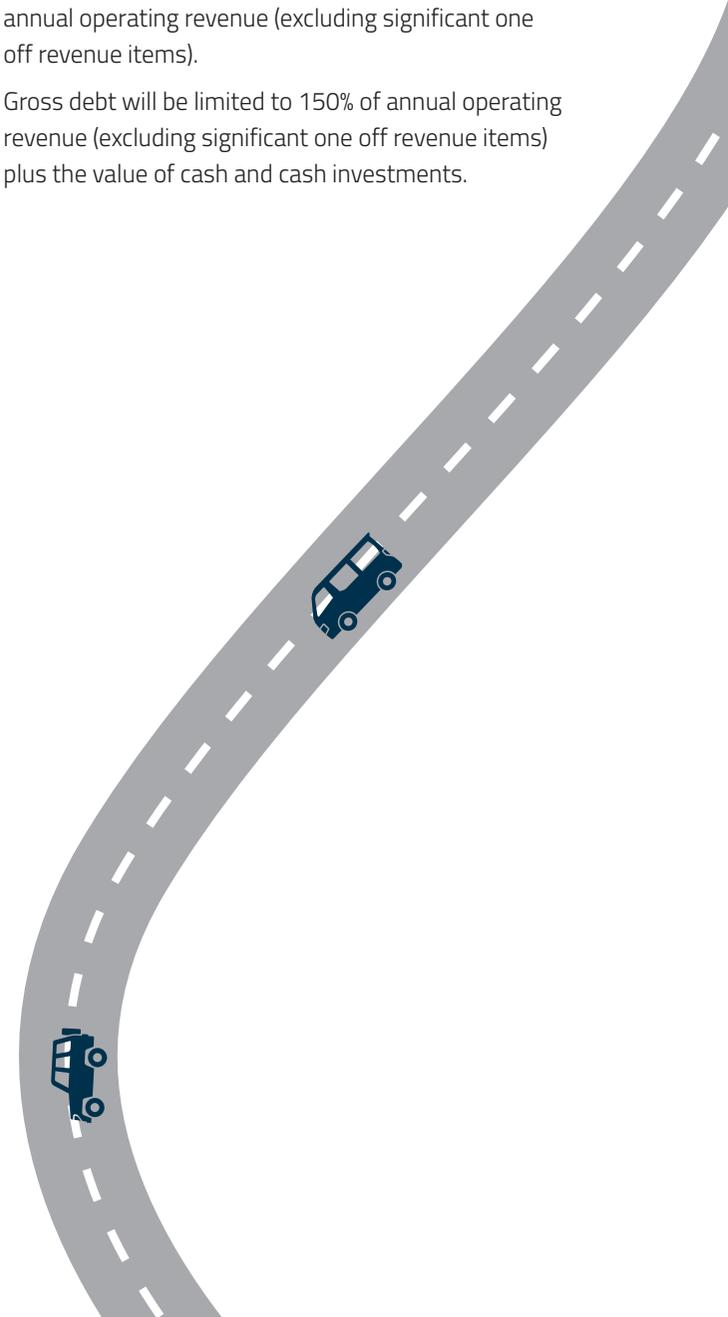
Restricted reserves are held for a specific purpose and money is only available to be used for that purpose. In contrast a non-restricted reserve can be for a variety of reasons. These investments build up or reduce over time due to funding needs.

Holding a level of cash in investments provides a safety buffer for Council in times of uncertainty in the financial markets, as it gives us the option to use funds if the interest rates are considered to be artificially high. Having this flexibility is one factor contributing to Council's strong financial position and good credit rating. Council is targeting to maintain at least a cash investment portfolio of around \$40m, this will fluctuate according to financial need.

### Council limit on borrowing

Council is setting its limit on borrowing based on the Net debt measurement. The net debt limit is 150% of annual operating revenue (excluding significant one off revenue items).

Gross debt will be limited to 150% of annual operating revenue (excluding significant one off revenue items) plus the value of cash and cash investments.



## Rates

The Council will ensure that there are sufficient cash resources available to meet its obligations. Council's current assets need to outweigh current liabilities, where current assets include cash on hand and available lines of credit

Council reviews operational expenditure for short and long-term cost savings and has established operational savings targets for the first three years of the Long-term Plan. These savings are intended to improve efficiencies within activities and services without impacting the current level of service being provided.

Rates are the "balancing factor" in the financial equations of Council. Revenue for all sources are examined on an annual basis, as are costs. Capital expenditure is evaluated for priority, need and timing for maintaining levels of service. Capital is funded from rates and, borrowing or use of investments. In the long term there is a limit on borrowing as the result of which either rates need to rise or the level of capital investment needs to reduce. This is an iterative process where the outcome is to get the service level desired by the community at a cost that is both affordable and does not hit the "willingness to pay" trigger.

Rates are set based on the factors relating to the property. One of the main factors that impacts predictability of rates is the three yearly revaluation of every property to establish the "Rateable values". When properties are revalued it creates distortion in the rates increases each ratepayer has compared to Council stated rates rise. Unfortunately, there is very little Council can do to alleviate this effect.

However, council is mindful that the rates increases should be predictable, not just in terms of total rates rise but also in impact on an individual property. For the past two years Council has set a uniform increase in rates that is each rate has risen by the same percentage. This means each ratepayer has the same increase, unless the owner has made changes to the property that trigger a need for a revaluation. It is part of this strategy that Council will maintain that practice for years that are not a Rates revaluation year.

### Council limit on rates rises

In determining the impact and limits of rates rises Council has considered the level of capital spending required and also the limit on Council borrowing. To be able to undertake the capital works in the LTP the limits on rates rises are:

- The rates rise in any year will not be higher than 7.5%
- The total rates take in any year will be no higher than a compounding annual rates rise of 7.5% per annum plus growth within the rating base

Council in this strategy has put an emphasis on the predictability of rates. Council also recognises that the LTP is a ten year plan rather than being 10 one year plans. This means that the work programmes are established to maintain levels of service and that if work is not completed in one year it still needs to be funded over the period of the plan.

## Managing Financial Investments and Equity Securities

Council holds investments in companies, property and cash.

### Investments in Companies/Trusts

Council is an equity holder in companies and has a controlling influence over four trusts. The principal reason for holding an equity interest in the company investments is to provide a financial return on investment for ratepayers. The interests in the trusts are to enable more efficient and targeted community outcomes for the community. Trusts provide a good opportunity for community engagement with a particular outcome. Council does not seek financial return for the trusts. Council's interest in the companies and trusts are as follows:

COMPANY	SHAREHOLDING	PRINCIPAL REASON FOR INVESTMENT	BUDGETED RETURN
<b>Invercargill City Holdings Ltd</b>	100%	To undertake commercial opportunities and provide dividend returns to the city	\$4,886,000 for 2020/21 year
<b>Southland Museum and Art Gallery Trust Board</b>	Controlling interest	To provide specialised governance for the museum	Nil.
<b>Bluff Maritime Museum Trust</b>	Controlling interest	To provide specialised governance for the museum	Nil.
<b>Invercargill City Charitable Trust</b>	100%	To provide access to recreational and cultural events within the city, in line with community outcomes	Nil.
<b>Invercargill Community Sports and Recreation Trust</b>	100%	To increase Invercargill residents' active participation in sports and physical activities and arts and cultural activities	Nil.

The Council has no plans to change its shareholding, although in accordance with good practice this is reviewed regularly

### Property Investments

Council's Investment Property Department oversees the development and undertaking of investment in property within the City. The properties are divided into two categories:

- Endowment properties which have been either allocated (per above) or purchased from endowment funds
- Trading properties (fee simple, no classification on title, currently leased)

Council's objective is to maximise return from endowment and trading properties, however due to historic lease arrangements (21 year Glasgow leases) the return from these properties is below market rates. The objective for the net return on investment from both endowment and trading properties is at least equal to current market interest rates

Council also has a portfolio of operational properties and properties acquired for a strategic purpose. Where a property acquired for a strategic purpose is no longer required for that purpose, it is placed in the Trading Properties portfolio and is considered to be available for sale. Council does not see itself as a property investor for profit, with the exception of the endowment property portfolio.

One significant property acquired for strategic purposes is the Don Street property developed by Council

### Cash Investments

The Council holds cash for two main reasons:

- To ensure strong lines of liquidity and access to cash remains available to Council.
- To support the balance of reserves through short-term investments (90 to 360 days) to maximise return on investment.

### Rates and Affordability

Council has come through a period of medium-level rates rises over the previous three years (2018/19: 4.91%, 2019/20: 3.50% and 2020/21: 2.00%). This was due to Council focusing on ensuring that rates were low and consistent from year-to-year.

For future years there are some key challenges that will present themselves in relation to affordability. This will occur as Council enters a period of accelerated capital expenditure to develop our services, whilst looking to be a growing and innovative city.

Increasing costs of providing council services is likely to intensify the affordability issues in the future. In certain years of the Long-term Plan, pressure from

required infrastructure renewals has led to rates increases that are less affordable than what the Council would like.

A larger rates increase will not necessarily occur in these years as growth projects are loan-funded and will be paid back over time so as not to unfairly burden the current ratepayers with the large costs associated with these projects.

Council seeks to embrace innovation and change over the upcoming years, and with the constant evolution and growth of technology, is witnessing and experiencing the change first-hand.

### Invercargill City Holdings Limited (ICHL)

Invercargill City Holdings Limited is a 100% owned subsidiary of Invercargill City Council. ICHL was formed to provide a clear differentiation between Council's core ratepayers orientated activities and its commercial trading enterprises and investments. It was established for the purpose of consolidation and management of existing Council companies, with the responsibility of control and oversight of the performance of the Council Owned Companies activities on behalf of the ultimate shareholder, Invercargill City Council.

Companies that sit within the ICHL group include, Invercargill City Property Limited (ICPL), Invercargill Airport Limited and Electricity Invercargill Limited (EIL). Within ICPL sits an additional entity. Within EIL sits a number of utility based entities. One of the main purposes of ICHL is for these individual companies to trade profitably in order for ICHL to return a dividend to Council and help offset the rates demand as a result.

ICHL has historically given a dividend to Council since 1999. In order to provide predictability for rates Council has set an expectation that the dividend is set at a level that allows ICHL to be able to pay an annual dividend that will increase with inflation each year. The dividend is forecast to increase over the next ten years with \$4,886,000 predicted for the 2020/21 year. Should this dividend fail to increase as predicted, Council would have less income received to minimise the impact on the general rates draw.

Council has noted that they cannot be financially reliant on an increasing dividend to match 10% of the general rates draw every year. Whilst ICHL strives to produce greater dividends year on year this is not necessarily going to be in line with the anticipated rates requirement increase.

### Disclosure Statement

The purpose of this statement is to disclose Council's planned financial performance in relation to various benchmarks to enable the assessment of whether Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings. Council is required to include this statement in its Long-term Plan in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.



## Rates Affordability Benchmark

Council meets the rates affordability benchmark if:

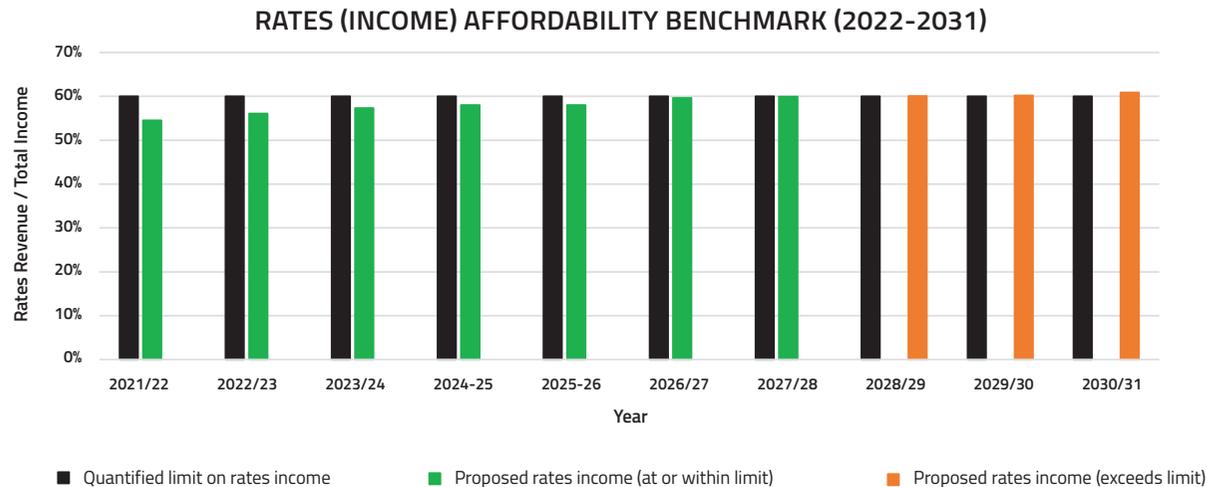
- its planned rates income equals or is less than each quantified limit on rates; and
- its planned rates increases equal or are less than each quantified limit on rates increases

### Rates (Income) Affordability

The following graph compares Council's planned rates with a quantified limit on rates. The quantified limit is rates revenue will not exceed 60% of total revenue.

The Local Government Rates Inquiry suggests that around 50% of a council's operating revenue should be taken from rates. Currently Council draws about 55-57% of its operational revenue from rates.

Council aims to maintain the rates collected to between the range of 50% and 60% of total Council revenue. Council intends to increase user-pays methods to enable the income required from rates to maintain steady without significant rates increases. Council will also seek efficiencies in how services are delivered to assist with maintaining rates revenue at a steady level.



Rates are an important source of funding for Council, but they are not the only source available. You can see more about how Council funds its services in the Financial Management section of the Long-term Plan. Council's Revenue and Financing Policy sets out the funding of its operational and capital expenditure and the sources of those funds on an individual activity basis.

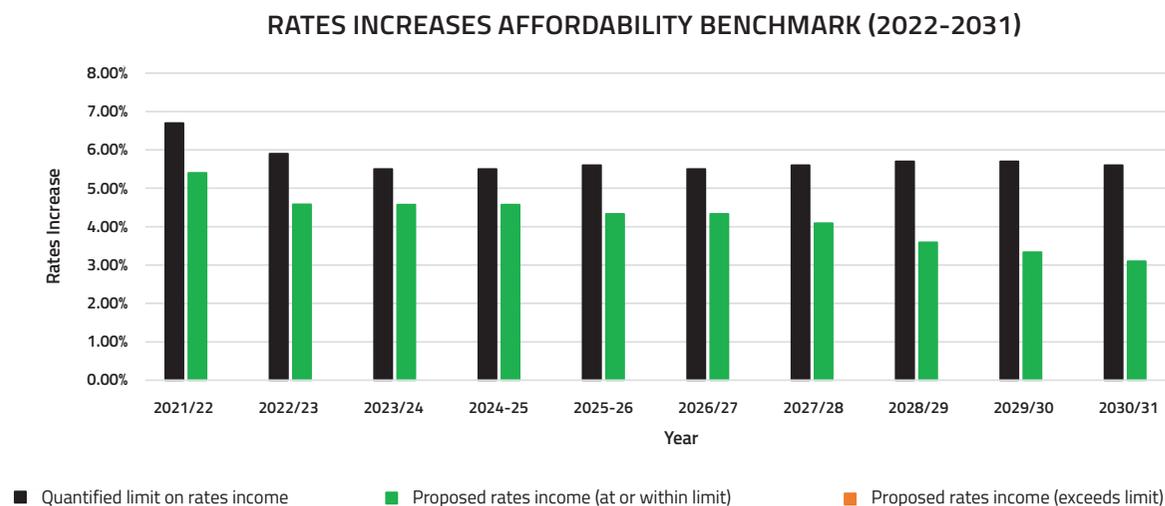
Throughout the Long-term Plan rates fund between 55% and 61% of Council's total revenue. The 2026/27 year has a significantly higher rates funded component due to the planned completion of the museum. The museum will cost roughly \$2 million annually to cover the repayments and interest with minimal fees revenue to offset this charge to rates. Council will look to increase fees slightly in the later years to bring the balance back once the timing of the museum opening is further defined.



## Rates (Increases) Affordability

The following graph compares Council's planned rates increases with a quantified limit on rates increases. The quantified limit is rates increases will not exceed the Local Government Cost Index (LGCI) plus 3%. The forecast LGCI increases for the next ten years are shown in the table below, but for example, if the LGCI change was 2.20%, Council's rates increase would be no more than 5.20%. Council recognises that this increase could potentially be higher than household income, so although a maximum limit has been set, Council will endeavour to achieve lower increases when planning projects and services that rely on rates revenue.

Council recognises that the cost of providing Council services (LGCI) is rising at a higher rate than the Consumer Price Index (CPI). Council is also mindful of affordability issues amongst our ratepayers. Council continues to investigate cost-cutting methods to ensure that the revenue required to run Council is kept relatively steady.



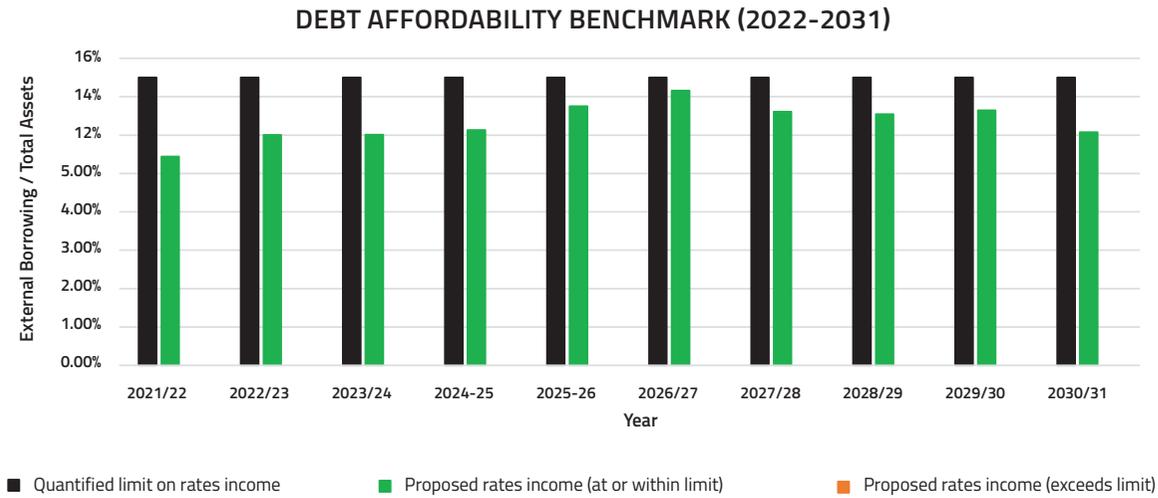
The rates increases reflect the money required each year.

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. 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 (LGCI). To enable Council to best predict what the future cost of providing its services will be, Council has based future inflationary costs on the LGCI rather than CPI. The additional 3% is to allow Council to undertake new projects, for example the Central City Master Plan, Museum and Art Centre projects.

## Debt Affordability Benchmark

Council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing.

The following graph compares Council's planned debt with a quantified limit on borrowing. The quantified limit is that debt will not exceed 15% of total assets.

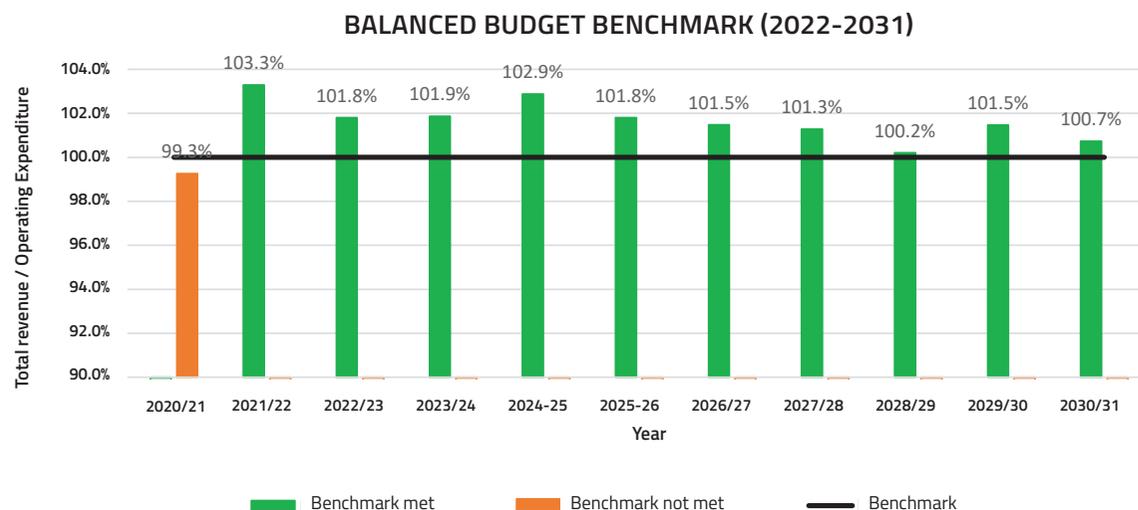


During the Long-term Plan period, the debt affordability percentage is expected to increase, peaking at 14.32% in 2026/27 before decreasing again.

Council considers that setting a borrowing limit of 15% of assets will assist in prudently managing Council's borrowing activities to ensure the ongoing funding of Council. Council will continue to consider and approve the borrowing requirement for each financial year in the Annual Plan or Long-term Plan recognising that borrowing capacity does not have to be fully utilised.

## Balanced Budget Benchmark

Council meets this benchmark if its revenue equals or is greater than its operating expenses.



The above graph displays Council’s planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

Council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.

Section 100(2) of the Local Government Act 2002 (LGA) sets out the matters that Council must have regard to when determining that it is prudent to operate an unbalanced budget.

These matters are:

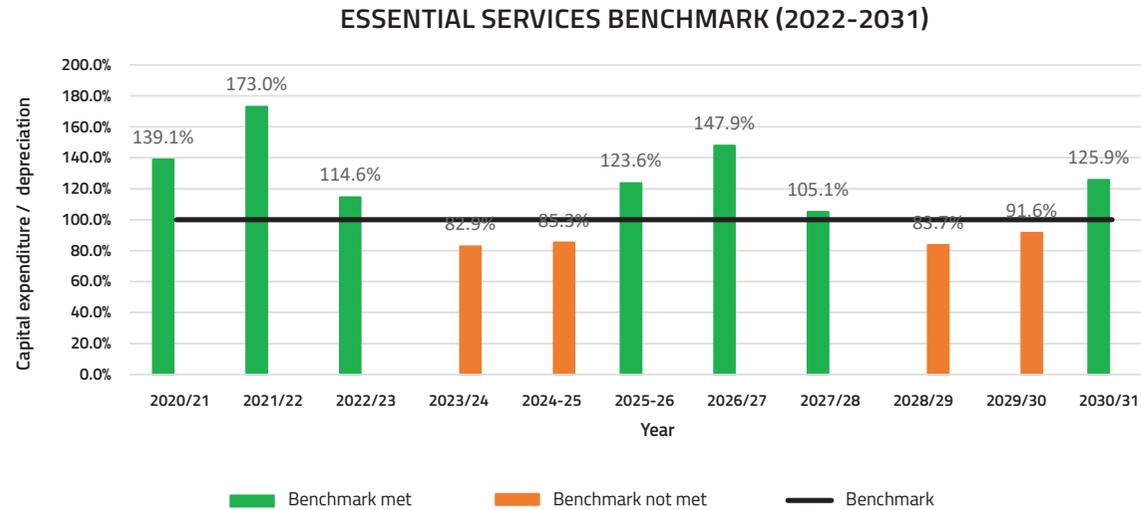
- (a) the estimated expense of achieving and maintaining the predicted levels of service provision set out in the Long-term Plan, including estimated expenses associated with maintaining the service capacity and integrity of assets throughout their useful life; and
- (b) the projected revenue available to fund the estimated expense associated with maintaining the service capacity and integrity of assets throughout their useful life; and
- (c) the equitable allocation of responsibility for funding the provision and maintenance of assets and facilities throughout their useful life; and
- (d) the funding and financial policies adopted under section 102.

The proposed Long-term plan has set projected operating revenues for all years at levels that would meet the projected operating costs.



## Essential Services Benchmark

The following graph displays Council's planned capital expenditure on network services as a proportion of expected depreciation on network services.



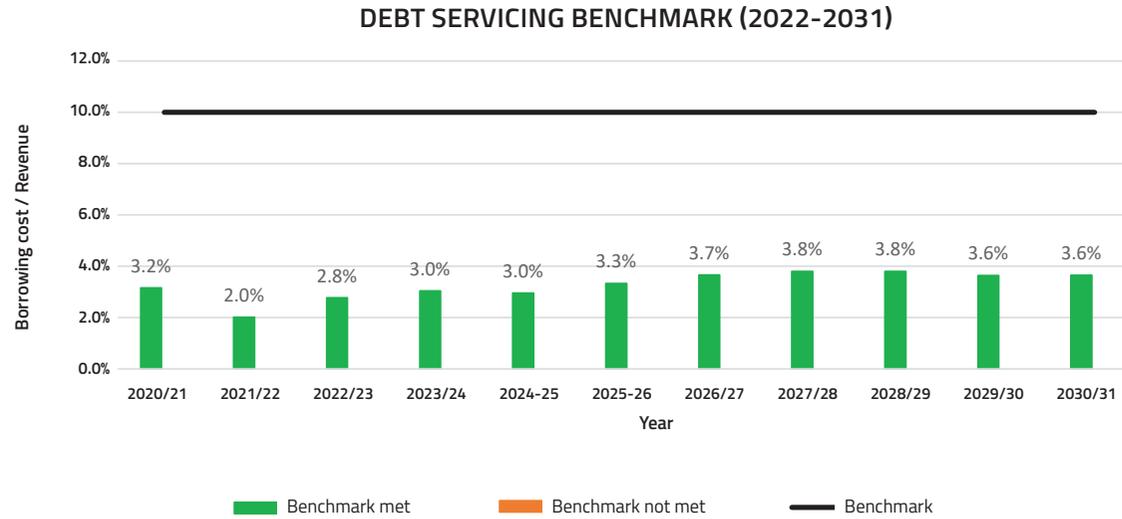
Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services. Although not reaching the target in every financial year, over time Council's capital expenditure should equal its depreciation. This will mean Council is replacing its assets as they deteriorate, however due to some projects being large it is hard to assess this on a year by year basis.

Council does not meet this benchmark in four of the 10 years. 2023/24, 2024/25, 2028/29 and 2029/30 are lower than depreciation level due mainly to the timing of projects which were brought forward to meet Government funding requirements around 3 Waters and Shovel ready projects. The increase years for the Government joint funding projects are in 2020/21 and 2021/22. Council does meet the benchmark over the course over the combined 10 year, and exceeds in most cases.



## Debt Servicing Benchmark

The following graph displays Council’s planned borrowing costs as a proportion of planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).



Because Statistics New Zealand projects Council’s population will grow as fast as the national population is projected to grow, it meets the debt servicing benchmark if its planned borrowing costs equal or are less than 10% of its planned revenue.

# Revenue and Financing Policy

Effective from July 1st 2021



## Revenue and Financing Policy

The requirements for a Revenue and Financing policy are in the Local Government Act 2002. Section 103 requires that the Revenue and Financing Policy must state its policies for:

- funding operating expenditure and
- funding capital expenditure

A local authority must manage its finances, and financial dealings in a way that promotes the current and future interests of the community

The funding needs... must be met from those sources that the local authority considers to be appropriate, following consideration of:

- a) in relation to each activity to be funded,-
- i) the community outcomes to which the activity primarily contributes; and
  - ii) the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and
  - iii) the period in or over which those benefits are expected to occur; and
  - iv) the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and
  - v) the costs and benefits, including consequences for transparency and accountability of the activity distinctly from other activities; and
- b) the overall impact of any allocation of liability for revenue needs on the community (Section 101(3))

Council has considered the above before establishing this policy

## Policy for funding operating expenses

FUNDING SOURCES PER SECTION 103(2)	APPLICATION BY INVERCARGILL CITY COUNCIL
<p><b>General rates, including</b></p> <ul style="list-style-type: none"> <li>▪ <b>choice of the valuation system</b></li> </ul>	<p>Applied to activities delivering wider community benefits using capital value base. The capital value rate is applied on the same basis to all properties. Rating values are revised every three years</p>
<ul style="list-style-type: none"> <li>▪ <b>differential rating</b></li> </ul>	<p>Council will apply differentials where there is a significant difference in the level of service available to properties relative to the collective values of the properties within a group. If differentials are to be applied the groups will be Commercial/ Industrial, Farming, Lifestyle, Tiwai point smelter and residential. Council will analyse the effect of the UAGC on the incidence of rates between groups, in determining whether or not a differential will apply</p>
<ul style="list-style-type: none"> <li>▪ <b>uniform Annual General Charge</b></li> </ul>	<p>A uniform Annual General Charge is set based on separately used or inhabited parts of the property. It is part of the total general rate and set at a level that Council considers appropriate. The level of the charge is subject to some legal limitations and Council will not breach that limit. In setting the UAGC Council will analyse the effect that any UAGC has in shifting the incidence of rates away from Farming and Commercial onto residential</p>

## Policy for funding operating expenses

FUNDING SOURCES PER SECTION 103(2)	APPLICATION BY INVERCARGILL CITY COUNCIL
<p><b>Targeted rates</b></p>	<p>Council has a preference for rates to be within the general rate unless the services have a specific area of benefit, which is not as wide as the entire district, and where the amount of the separate rate is substantial enough to warrant the additional administration required for a separate targeted rate</p> <p>Targeted rates are not a user charge as there is no provision for a user to opt out. They are levied for separate services where the rate is a proxy for a uniform user fee. Those services are Sewage disposal, Water supply, Transportation, Stormwater Drainage and refuse collection</p> <p>They allow Council to assist communities to collectively fund services that can only be delivered without collective funding. Due to the administration of separate targeted rates Council will try to avoid setting a targeted rate for less than \$100k for the total value of the rate. If a targeted rate is set for a lower revenue level Council will identify the special circumstances that warrant an additional rate</p> <p>Targeted rates are set for transparency purposes rather than to create an on-going pool of funds separately managed. Therefore any unspent targeted rates will become part of Council general funds</p>
<p><b>Lump sum contributions</b></p>	<p>Available for capital project funding under the Local Government (Rating) Act 2002. It is a complex mechanism which is not considered to provide any advantage to our ratepayers and so is not used</p>
<p><b>Fees and charges</b></p>	<p>Fees and charges are a preferred funding option for services where they are practicable. They reflect that a choice has been made to utilise community resources. That choice gives benefit to the individual and may impose costs on the wider community. Charges are set to recover the costs Council incurs in delivering that activity. Council recognises that some services it provides are for facilities which are available for community and private benefit. If that service attempted to recover full costs it is likely they would be too expensive for users. If the charges are set too high, it could lead to reducing use, and this may mean the net cost of the service increases</p> <p>Council believes the community wishes these services to be made available so that individuals have the option to use them if they choose. There the general rate meets a level of cost to provide the option for the community use. In these cases, Council uses its judgement to set the fees at a level it believes is at an acceptable market level</p>

## Policy for funding operating expenses

FUNDING SOURCES PER SECTION 103(2)	APPLICATION BY INVERCARGILL CITY COUNCIL
<b>Interest and dividends from investments</b>	Interest and dividends are treated as part of general funds and support the services which are general rate funded. An exception to this is where reserves have been established for targeted rates which cover the long-term needs of a service area. Rates set for that purpose are used for that purpose, and funds not used in a particular year are invested, and interest on those funds are used for that service
<b>Borrowing</b>	<p>The financial strategy identifies that Council operates a net debt policy. This means that we measure our debt based on total external borrowings less funds invested in term deposits. So borrowing and use of invested cash are treated in the same manner being part of our "balance sheet" funding. Our goal with borrowing is for borrowing to be used primarily for capital spending, however borrowing may also be used to level out highs and lows that can occur in services that have cyclic funding needs</p> <p>Borrowing is used to recognise issues of inter-generational equity for assets that have a long life and will benefit the community for a long time</p> <p>Borrowing will not be used to fund long term operational shortfalls but may be used as part of a strategy to get to long run sustainable rates level without large one-off rates rises. However, Council recognises that staggering necessary rates rises inevitably comes at the cost of higher rates</p>
<b>Proceeds from asset sales</b>	Proceeds from asset sales will not be used to fund operational costs
<b>Development contributions</b>	Invercargill is forecasting little if any growth. As Council desires growth, it considers that development contributions are likely to be an impediment to growth. Also the asset base for service delivery is large enough to cope with some growth, without requiring significant growth related investment. Not applied
<b>Financial contributions under the Resource Management Act 1991</b>	Invercargill is forecasting little if any growth. As Council desires growth, it considers that financial contributions are likely to be an impediment to growth. Also the asset base for service delivery is large enough to cope with some growth, without requiring significant growth related investment

## Policy for funding operating expenses

FUNDING SOURCES PER SECTION 103(2)	APPLICATION BY INVERCARGILL CITY COUNCIL
<p><b>Grants and subsidies</b></p>	<p>Other organisations determine the availability of grants and subsidies. Where grants and subsidies are available, Council will apply when it is considered efficient to do so. Where funding applications are successful or where long-term contracts have grants and subsidy the funds are used for that purpose. The biggest part of subsidy comes from NZTA for roading works. The level of the subsidy is set by NZTA</p>
<p><b>Any other source.</b> <b>Special purpose investments (reserves)</b></p>	<p>Over many years of operations, Council has established a number of special fund reserves. These reserves are backed by cash investments. Where funds are available in those reserves, they will be used only for the purpose that the reserve was established. When that occurs, the funds in the reserve will be used to meet either a capital cost or operating cost. These funded reserves are a way for the council to manage expenditure and revenue so that the requirements from the community are more even and predictable. Special funds invested will earn interest on the funds and reduce the borrowing needs in higher expenditure years</p>

## Capital expenditure funding sources

Council provides activities which have a long life and long-term benefits. The level of capital expenditure over the period of a Long-term Plan is relatively minor compared to operating expenses. Council takes a long-term view to funding its services and assets on a sustainable basis. Funding of capital works is from:

- **General and Targeted rates:** Rates will be used to fund capital work. Rates are set based on long term projections, to enable sustainable levels of service, which include renewal of assets. Typically, rates will fund renewal of assets, but there will be years where rates will fund a portion of new capital items, and years when rates will be repaying loans. Rates and debt are the primary funding sources for Council's planned capital work and these two items need to have an equilibrium identified with the financial strategy.
- **Borrowing:** Borrowing will be used to fund capital expenditure when the level of renewal is above the average renewal funded in the plan. It is also used to fund the majority of level of service improvement for assets. This reflects that those assets will have a long life and so the cost of the asset should be shared a longer period of time.
- **Subsidy and grants:** A reasonable amount of capital expenditure in the Roading Activity is funded from NZTA subsidy. Council seeks to maximise the amount of NZTA subsidy available. For some community facilities, it is possible to get grants from specific organisations. Where this is possible Council will use these grants to lower the capital requirement from the community.
- **Proceeds from asset sales:** Council owns a number of properties that have been purchased for operational and strategic reasons. Where capital assets are sold the funds from those sales will be used to fund capital items. This will occur through the repayment of loans which will enable increased borrowing capacity for the capital items. This ensures that debt is attributed to the appropriate group of activities.
- **Development contributions:** Council does not charge development contributions or financial contributions. Growth is not significant in Invercargill and Infrastructure is able to cope with population growth in the foreseeable future.

## Consideration of overall effect of funding allocations

When considering the revenue requirements and funding mechanisms used Council is mindful of the impact that both fees and rates can have on individuals in the community. Charges are set to recover the costs that individuals impose on the community and the benefit they receive from the activity. Rates are also set to reflect the ongoing cost of Council activities. Regional Council rates are a small component of total rates paid by property; Council does not believe Council rates levels impose any hardship.

## Summary of funding mechanisms used in Activities

Mechanisms selected to fund a particular activity are based on a regular assessment of the efficiency of imposing multiple small charges compared to funding from a larger funding source such as general funds. However, there is a preference for individuals benefiting and causing costs to pay for the costs they impose. This means that individuals can become more aware of the impact their resource use choices have on the sustainability of our activities.

ACTIVITY	USER FEES	SUBSIDY/ PETROL TAX	INVESTMENT INCOME DIVIDENDS AND INTEREST	GENERAL RATE	TARGETED RATE
Roading	Marginal	Marginal		Majority	
Sewerage	Marginal	Marginal			Majority
Solid Waste Management*	Market			Residual*	Marginal
Stormwater				Majority	Marginal
Water Supply	Marginal	Residual			Majority
<b>General Services (Listed below)</b>					
Aquatic Services	Market	Residual		Residual	
Arts and Culture	Availability			Majority	
Corporate Services	Majority			Marginal	
Democratic Process		Residual		Majority	Residual
Housing care	Full				
Investments	Market		Majority		
Libraries	Availability	Residual		Majority	
Parks and Reserves	Availability			Majority	
Passenger transport	Market	Majority		Marginal	Marginal
Property				Full	
Public toilets				Full	
Regulatory Services	Majority			Marginal	
Venue Services	Market			Marginal	

\*Solid Waste Management is predominantly funded from a uniform targeted rate per bin, but a portion of the activity for waste minimisation and part of the contract rate is attributed to City wide public benefit.

User charges are used for services where there is a benefit to an individual. If it is possible to efficiently impose a charge, the council does so, on the basis of either recovering the full cost of the service, the marginal cost added by users, or a rate that the market will pay. The market rate becomes an issue to limit the potential for charging. It applies in circumstances where the council believes that a charge set too high will reduce use and therefore, diminish the value of the facility to the community, and impose a greater cost on ratepayers. In selecting market rate the council has made a judgement that the community values the existence of the facility and would rather fund it from rates than for it to close.

#### Explanation of notations in the table on page 5

(Still under consideration, will be completed when rates are included)

- 1. Full (100%)** means that all, or almost all, of the cost of the activity is funded from that particular source.
- 2. Availability** means that the cost of having the service available is met from that funding source. For these services Council believes that charges can be a major barrier to access for some members of the community. Revenue in these services reflects revenue from programmes, hire of the facility and added value services.
- 3. Subsidy** means that a portion of the activity is funded from a government subsidy. In some instances the subsidy makes a relatively minor contribution, but in others, such as roading, the subsidy is a substantial contributor to the cost of the activity. Those subsidies are identified within the individual plan of the activity.
- 4. Petrol Tax** is a local government share of the petrol tax levied by Central Government. It is used to contribute to the costs of road maintenance.

- 5. Majority (more than 50%)** means the majority of the service is funded from this source. When used in the fees and charges column it reflects the view that the services should be recovered from users but that legislation imposes some constraints which may mean that full recovery is not possible.
- 6. Marginal (10-50%)** reflects that the service has a level of public benefit but also recognises that the level of the service required is influenced by the actions or inactions of others. The revenue reflects a contribution to the cost from those parties.
- 7. Market** means that Council attempts to set its charges at a level that is affordable for the users and competitive with similar services either within the city or outside the city. It is used where market rates are not sufficient to meet the full costs of the service. The balance is funded from rates.
- 8. Residual (Less than 10%)** indicates that a portion of funds comes from this source. It reflects that in some circumstances there are constraints on Council charges, or that the alternative revenue source may include enforcement revenue which is imposed to achieve compliance and may not always cover the costs of enforcement.
- 9. Licence and enforcement fees** can be charged for some services. Licence fees may be set by the council or by regulation, and may not always cover the full costs of the service. Enforcement fees are charged to achieve compliance and do not necessarily meet the full costs of the enforcement activity.

**Reference Number:** A3275564

**Effective Date:** 1 July 2021

#### **Review Period:**

This Policy will be reviewed every six (6) years, unless earlier review is required due to legislative changes, or is warranted by another reason requested by Council.

#### **Supersedes:**

Revenue and Finance Policy 2018

**New Review Date:** July 2027

#### **Associated Documents/References:**

Nil.

#### **Policy Owner:**

GM - Finance and Assurance,  
Invercargill City Council

# Rating of Māori Freehold Land Policy

Effective from 1 July 2021



## Te Ture Whakatauranga a ngā Whirihoura Māori

### Purpose

This policy allows for rates postponement and remissions on Māori freehold land.

This policy helps to reduce the barriers for owners of Māori freehold land who want to use, occupy, build houses on, and develop their whenua, particularly for those who have rates arrears. It also provides greater consistency, equity and clarity around the rating of Māori land for the benefit of Māori landowners and local authorities.

### Statutory Requirements

- Section 102(2)(e) of the Local Government Act 2002 states that Council must adopt a policy on the remission and postponement of rates on Māori freehold land.
- Section 108 and Schedule 11 of the Local Government Act 2002 states what the policy must contain.
- Section 114 of the Local Government (Rating) Act 2002 allows Council to remit all or part of the rates on a rating unit if it has adopted a remission policy and is satisfied that the conditions and criteria in the policy are met.
- Section 114A of the Local Government (Rating) Act 2002 allows Council to remit all or part of the rates on a unit if the ratepayer has applied in writing for a remission on the land and the ratepayer or another person is developing, or intends to develop the land.
- Section 115 of the Local Government (Rating) Act 2002 requires Council to postpone all or part of the rates on a rating unit if it has adopted a postponement policy and is satisfied that the conditions and criteria in the policy are met.

- Section 108(4A) of the Local Government Act 2002 states that this policy must be reviewed at least once every 6 years using a consultation process that gives effect to the requirements of section 82 of the Local Government Act 2002.

### Principles

To recognise the special characteristics of Māori freehold land.

Māori freehold land is recognised under the Te Ture Whenua Māori Act 1993 as a taonga tuku iho of special significance to Māori passed from generation to generation. An interest in Māori land is also considered a tangible whakapapa (genealogical) link for owners to their past and present whānau, hapū and iwi, whether they live on or close to the land or not.

### Key Definitions

**Remitted rates:** Rates for which the requirement to pay is remitted.

**Māori freehold land:** Land whose beneficial ownership has been determined by the Māori Land Court by freehold order.

**Māori freehold land in multiple ownership:** Māori freehold land owned by more than two persons (Section 5 of Local Government (Rating) Act 2002).

**Rates Postponement:** Rates for which the requirement to pay is postponed.

### Wholly Unused Land

Māori freehold land that is wholly unused will not be charged rates.

Any wholly unused Māori freehold land that has historic rates arrears will be automatically removed and no further rates will be charged.

### Ability to write-off arrears

Council will write-off outstanding rates on any land that it considers unrecoverable, including rates debt inherited from deceased owners.

### Rates remission for Māori freehold land under development

Council can remit rates on Māori freehold land in order to encourage development.

### Ngā Whenua Rāhui kawenata land to be made non-rateable

All land protected by Ngā Whenua Rāhui is non-rateable and outstanding rate arrears are written off.

### Monitoring and Auditing

The Risk and Assurance Committee will monitor the application of this Policy via reports from Executive staff.



# Significance and Engagement Policy

Ngā Ture  
Whaihua  
Whaipaparangi

# Significance and Engagement Policy

## Ngā Ture whaihua Whaipaparanga

The main purposes of Significance and Engagement are;

To identify Council's approach to determining the significance of proposals and decisions in relation to issues, assets, activities or other matters.

To let the community know when and how they can expect to be engaged in Council's decision-making processes.

To act as a guide to Council and Council staff as to what extent, form and type of engagement is required from the beginning of a decision-making process.



# Engagement with Māori

## Te Tuhorotanga ki te Hunga Māori

The role of Māori, and Ngāi Tahu Kāi Tahu, as Takata Whenua, as represented by Waihōpai Rūnaka and Te Rūnanga o Awarua, as a partner of Council is recognised.

The LGA recognises and respects the Crown's obligations under the Treaty of Waitangi by placing some specific obligations on councils. These obligations are intended to facilitate participation by Māori in local authorities' decision-making processes (sections 4, 81 and 82(2), LGA). The Act includes requirements for councils to:

- ensure they provide opportunities for Māori to contribute to decision-making processes;
- establish and maintain processes for Māori to contribute to decision-making;
- consider ways in which they can foster the development of Māori capacity to contribute to decision-making processes;
- provide relevant information to Māori;
- take into account the relationship of Māori and their culture and traditions with their ancestral land, water, sites, wāhi tapu, valued flora and fauna, and other taoka.



Council will establish and maintain engagement processes that identify and provide opportunities for Māori to contribute to decision-making. In addition to the engagement principles and practices set out in this policy, Council will:

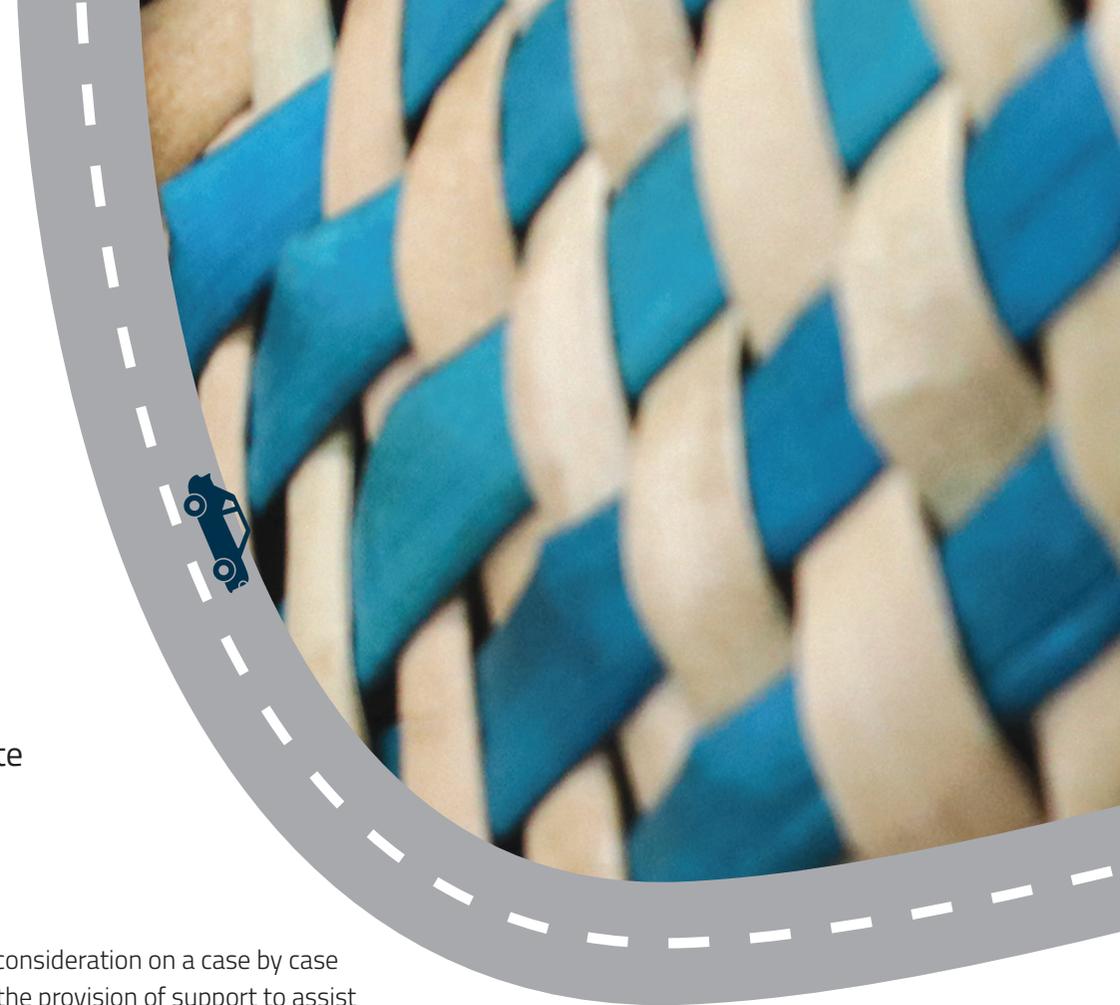
- Strengthen and improve ongoing relationships and partnerships with Iwi in the Waihōpai takiwā, including, but not limited to, engagement with Waihōpai Rūnaka and Te Rūnanga o Awarua
- Strengthen and improve ongoing relationships with Mataa Waka
- Ongoing support for Te Ao Marama Inc
- Consider the impact on Māori of specific decisions, proposals or matters, in particular recognising the special connection of Takata Whenua and their culture and traditions with their ancestral land, water, sites, wāhi tapu, valued flora and fauna, and other taoka
- Recognise legal obligations for engagement with Māori under various legislation including, but not limited to, the Local Government Act 2002 and Resource Management Act 1991
- Recognise agreements such as the Charter of Understanding and other agreements (Mana Whakahono ā Rohe or Joint Management Agreements) developed with Māori as they relate to decision-making processes
- Support appropriate use of tikaka (cultural protocols) and te reo Māori (Māori language) in our daily business and engagement tools and practices
- Provide for Mana Whenua positions on Council's standing committees and hearings panels as appropriate to ensure direct Māori involvement in decision-making
- Support the implementation, use and understanding of Te Tangi a Tauria – The Cry of the People Ngāi Tahu ki Murihiku Resource and Environmental Management Plan 2008 or any subsequent Iwi Management Plans
- Support the use and understanding of Te Mana o te Wai, recognising the primary responsibility of Environment Southland in this area



# Development of Māori capacity to contribute to the decision-making processes of the local authority.

Council is committed to development of Māori Capacity to contribute to the decision making process of the local authority. These opportunities include:

- Provision of information to Māori to underpin processes that assist effective contribution to the decision-making processes of Council
- Building capacity to enable contribution of Māori to the decision-making processes of Council. Related to this process is the need for Council to gain a clear understanding of expectations through hui and ongoing relationships with Māori to agree and commit to practicable steps to building capacity
- Supporting projects initiated by Māori that involve direct management of the district's natural resources
- Ongoing consideration on a case by case basis for the provision of support to assist Māori with resourcing, opportunities for training, engagement and promotion of matters that are of mutual benefit
- Effective and efficient consultation to improve existing relationships, processes and protocols related to local government and resource management issues



# Approach to Determining Significance

The decision on a matter's significance rests with Council.

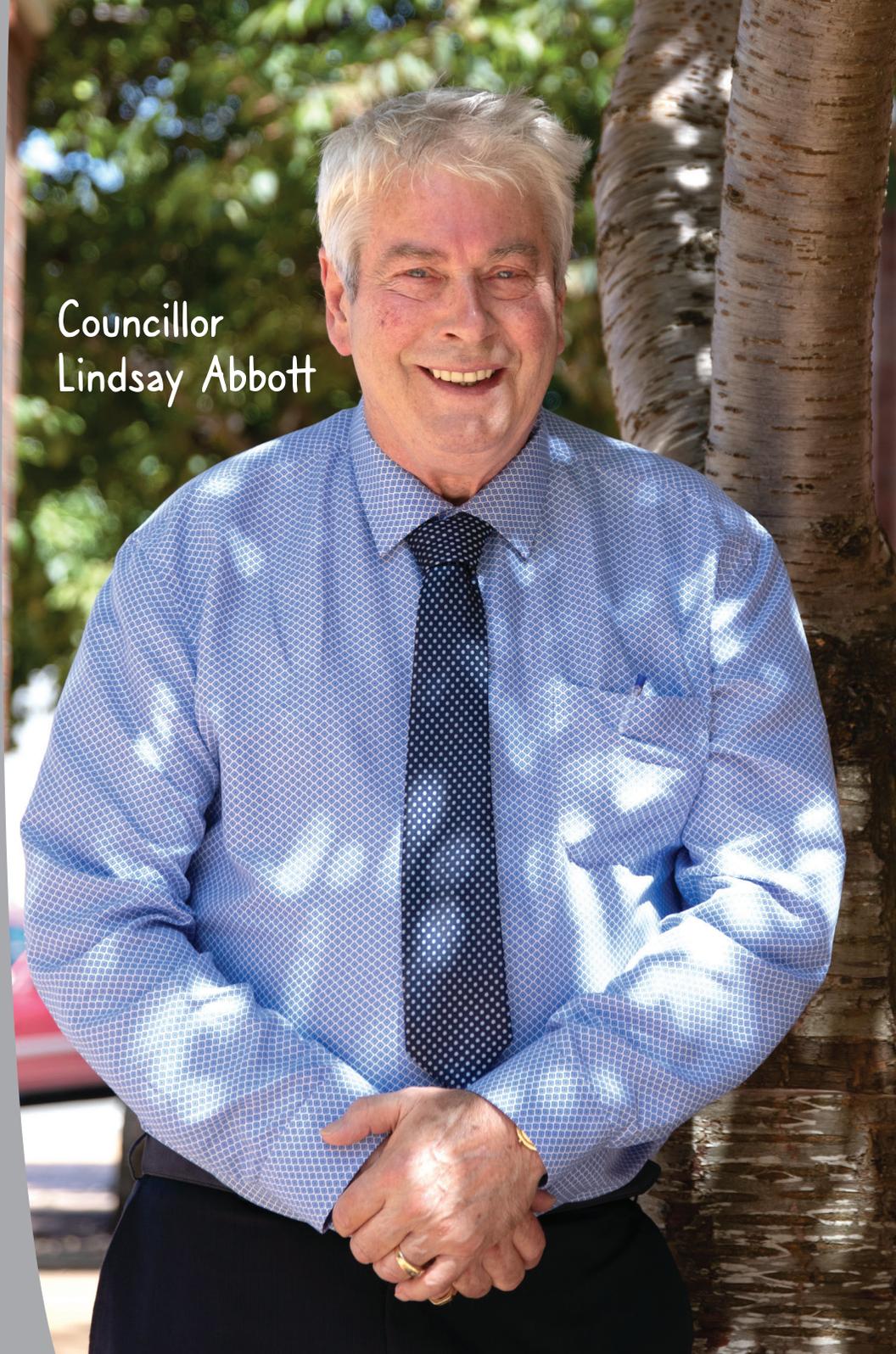
When undertaking a process to determine the extent to which issues, proposals, decisions or other matters are significant, staff will prepare a report against the thresholds and criteria listed below for consideration by and presentation to Council.

Council will evaluate the significance of each proposal or decision it makes on a case-by-case basis. Decisions of low significance, including some decisions made under delegated authority, may not explicitly state the degree of significance.

Significance and engagement will be considered in the early stages of a proposal before decision making occurs and, if necessary, reconsidered as the proposal develops. Differing levels of engagement may be required during the varying phases of decision-making on an issue, and for different stakeholders.



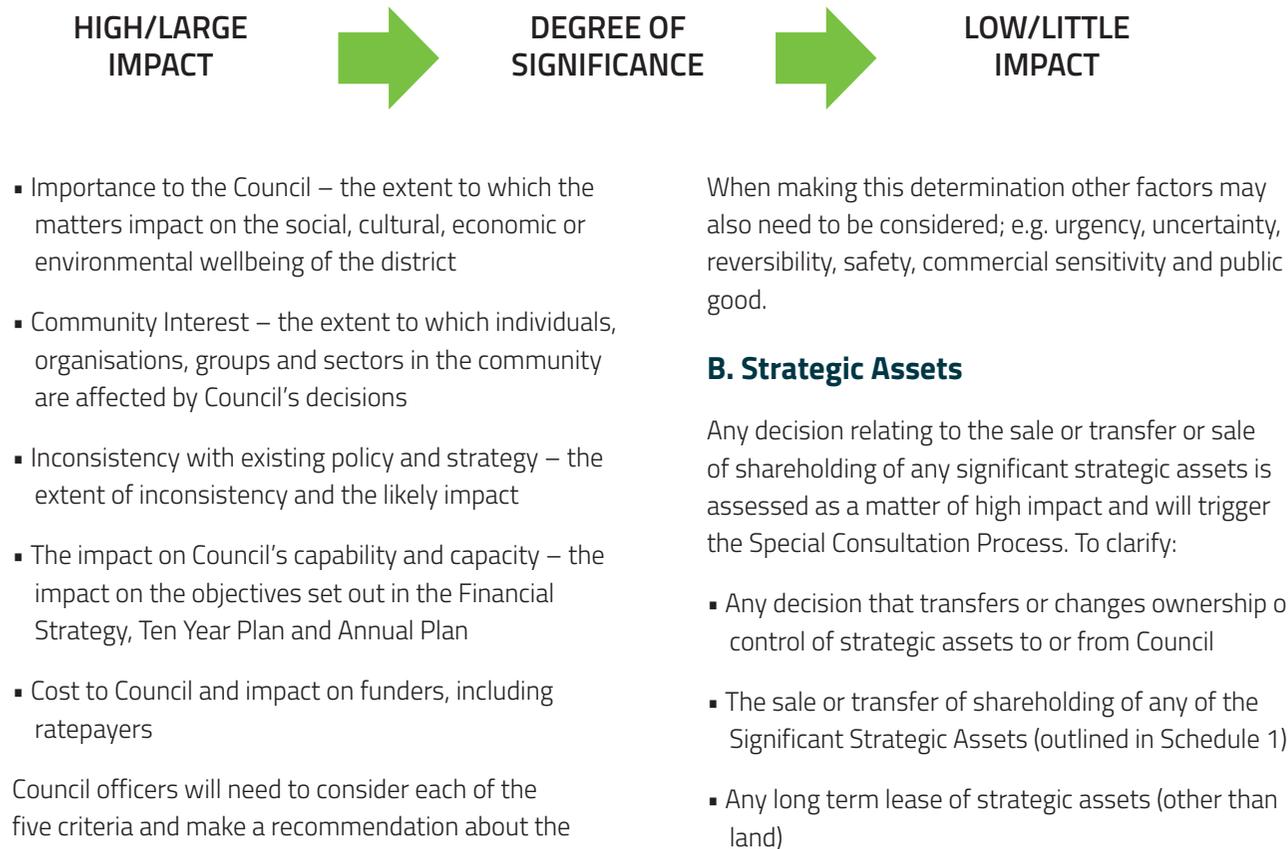
Councillor  
Lindsay Abbott



Council will determine significance in two ways outlined in A and B:

### A. Assessment

Thresholds and criteria for determining Significance:



Council officers will need to consider each of the five criteria and make a recommendation about the decision’s significance to the elected members

The final decision about the significance of any matter rests with elected members

# Approach to Engagement

This section lays out Council's approach to engagement.

It includes the following areas:

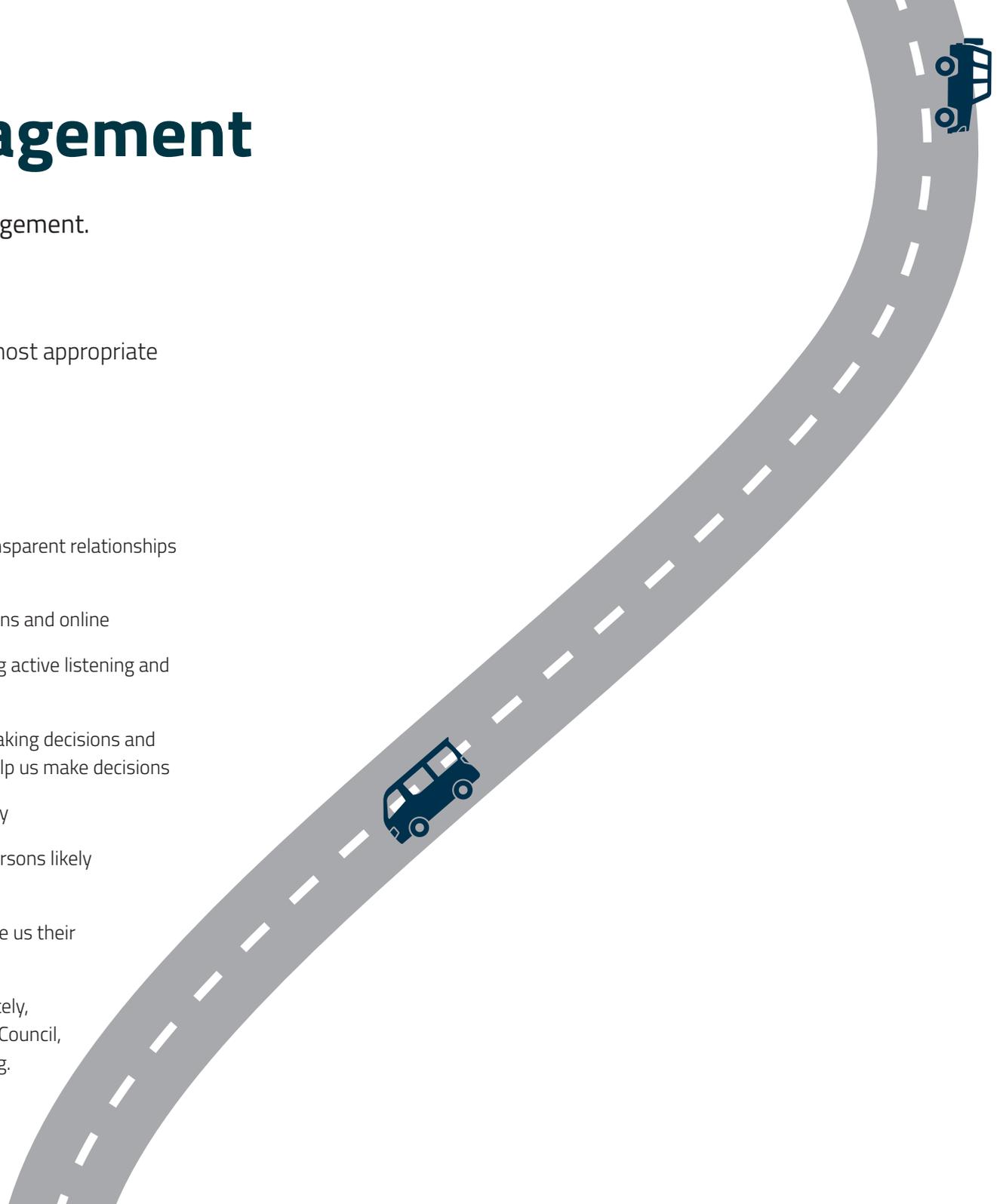
- Council's principles of engagement
- Process to determine the type of engagement most appropriate
- Guidance for undertaking engagement

## Principles of Engagement

This is what you can expect from us:

- We will take a partnership approach to develop open and transparent relationships with Mana Whenua
- We will go where the people are, at events in different locations and online
- We will be genuine in our consultation and engagement, using active listening and different approaches to engagement
- We will have an open mind to community feedback before making decisions and will explain clearly how we will use the feedback we get to help us make decisions
- We will give our community a timely opportunity to have a say
- We will give consideration to the views and preferences of persons likely to be affected by, or to have an interest in the matter
- We will provide feedback to those who made the effort to give us their opinions and we will explain our decisions

We want to engage and consult with the community appropriately, which includes doing what we can to make it easy to approach Council, as well as avoiding consultation fatigue through over-consulting.



# Engagement Assessment Criteria

Community engagement occurs across a spectrum at differing levels, Council has adapted the IAP2 Spectrum of Engagement for our use. Council will determine what level of engagement is appropriate for each decision or matter on a case by case basis using the approach to engagement above.

The five levels Council will consider are:

LEVEL	GOAL	COUNCIL'S PROMISE
<b>Inform</b>	To provide the public with balanced and objective information to assist them in understanding the problems, alternatives, opportunities or solutions	At this level, Council's promise is that we will keep the community informed
<b>Consult</b>	To obtain public feedback on analysis, alternatives or decisions	At this level, Council's promise is that we will keep the community informed, listen to and acknowledge concerns and provide feedback on how public input influenced the decision
<b>Involve</b>	To work directly with the public throughout the process to ensure the public concerns and aspirations are consistently understood and considered	At this level, Council's promise is that we will work with the community to ensure that their concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how public input influenced the decision
<b>Collaborate</b>	To partner with the public in each aspect of the decision including the development of alternatives and the identification of the preferred solution	At this level, Council's promise is that we will look to the community for direct advice and innovation in formulating solutions and incorporate the community's advice and recommendation in to the decisions to the maximum extent possible
<b>Empower</b>	To place final decision-making in the hands of the public	At this level, Council's promise is that we will implement what the community decides

# Process for determining the appropriate engagement approach

The Strategy and Policy team will support managers to determine an appropriate level of engagement and implement the engagement process.

To ensure that our approach to engagement is targeted at the right level Council will consider:

- the nature and significance of the decision or matter, including its likely impact from the perspective of the persons who will or may be affected by, or have an interest in, the decision or matter;
- that Māori are a partner in any engagement and we will work with Iwi to determine the level of engagement required on each issue or matter determined to be significant;
- the extent to which the current views and preferences of persons who will or may be affected by, or have an interest in, the decision or matter are known to the local authority;

- if any circumstances exist in which there is good reason for withholding local authority information (in accordance with the Local Government Official Information and Meetings Act 1987); and
- the costs and benefits of any consultation process or procedure.

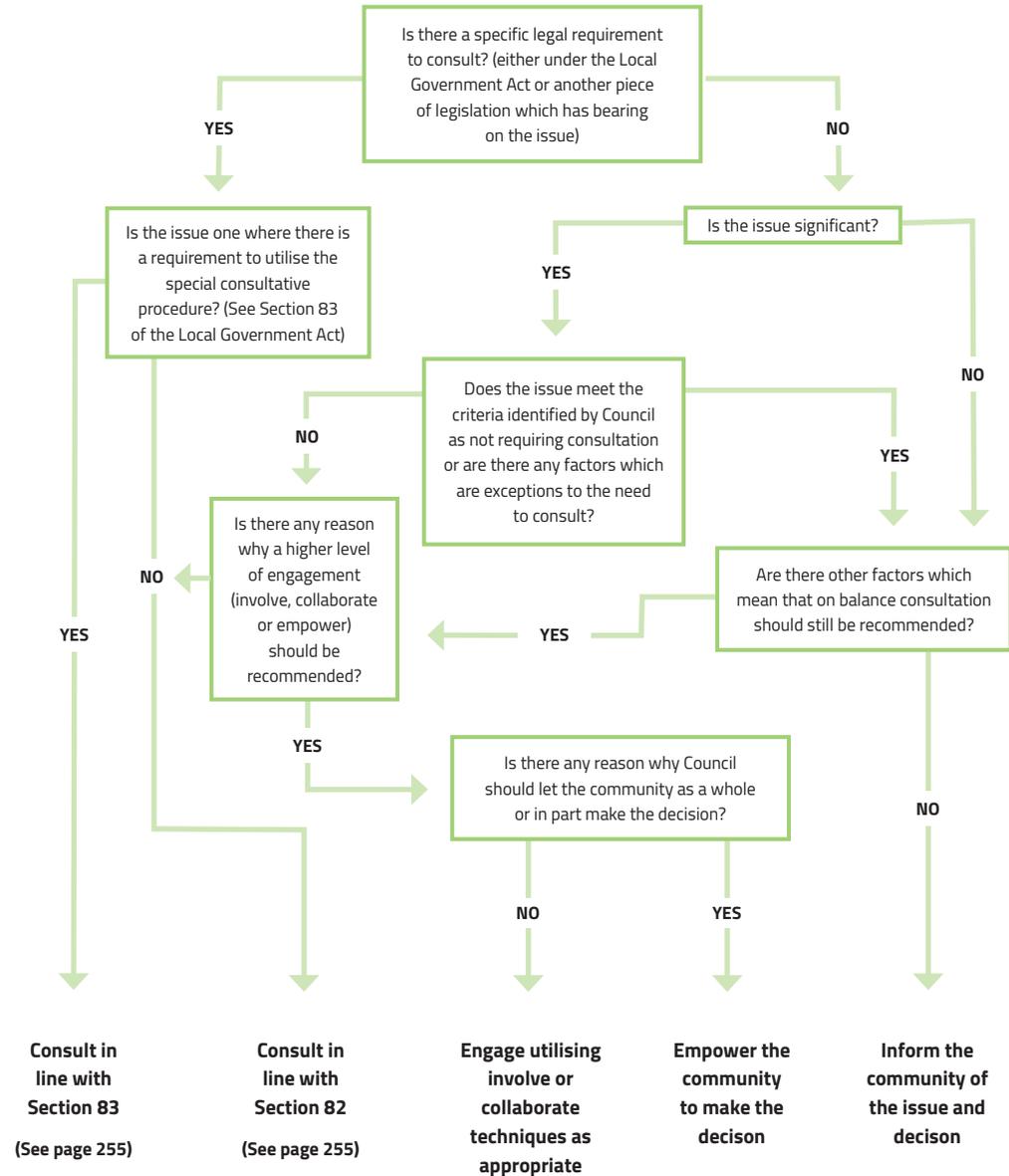
It will not always be appropriate or practicable to conduct processes at the participatory / empower end of the consultation continuum. Many minor issues will not warrant a participatory approach and constraints of time and money will also limit what is possible on some occasions.



# What form of engagement should be undertaken?

Council will assess each situation and determine the appropriate engagement tools. The range of tools that Council will consider using at each level of the spectrum is included in Schedule 2 on page 253.

The diagram to the right shows the decision-making process which will be followed to determine the appropriate level of engagement.



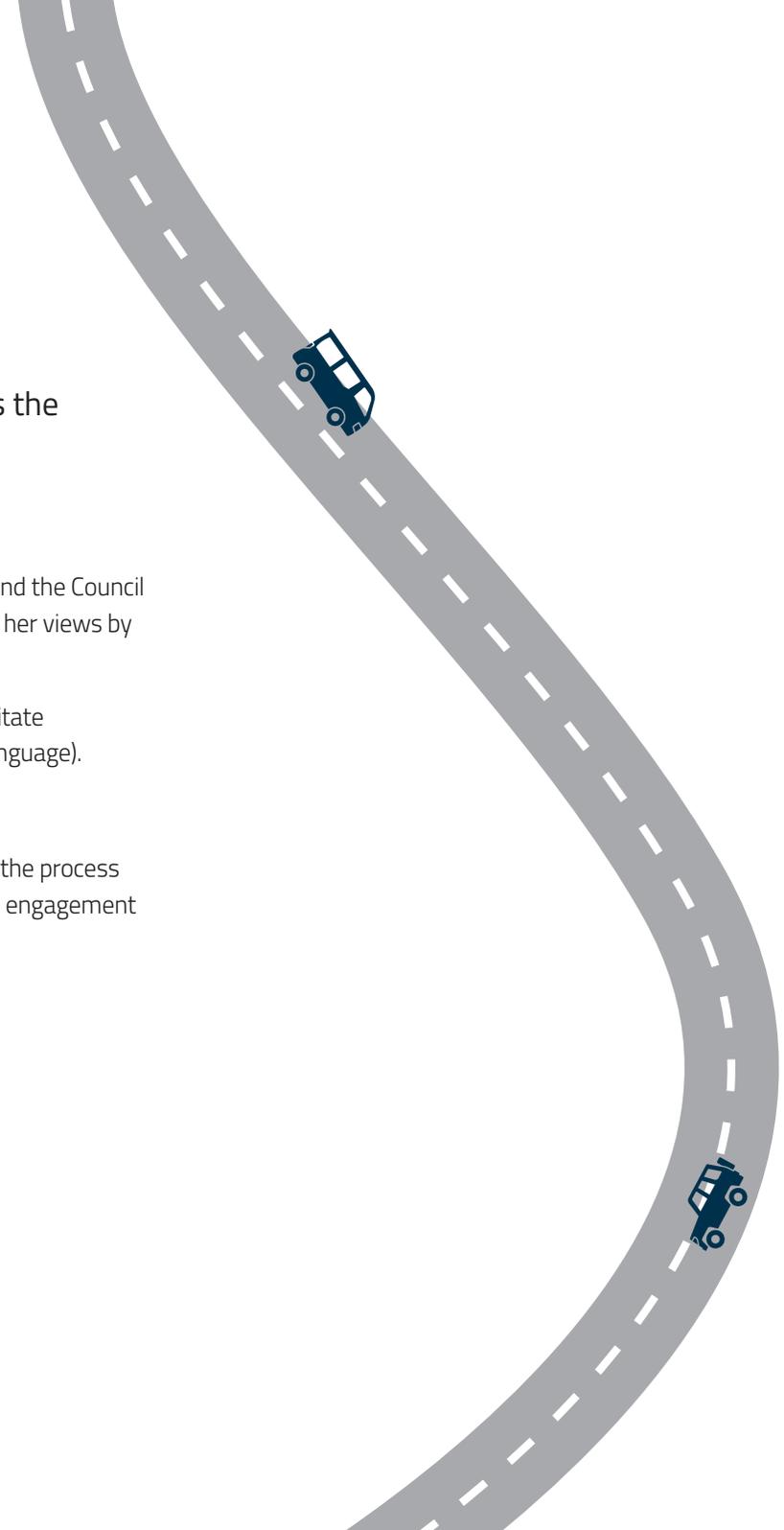
# What you can expect from engagement

Each engagement will be planned at the level most appropriate. Schedule 2 outlines the different types of engagement which Council may use in different circumstances.

Below are some general principles which the Council will follow.

You can expect that if we ask your views, we will always let you know:

- What is proposed?
  - Why?
  - Where relevant, what options we have?
  - Our preferred option and why?
  - Costs and rating impact if any.
  - What are the impacts (if any)?
  - How the community can have a say?
  - The timeframe and process.
  - How we will communicate the outcome.
  - Council will provide information in a range of formats and provide a range of options for sharing your views
- Hearings will be held in Council Chambers and the Council can also allow any person to present his or her views by way of audio link or audio-visual link.
  - If we're asked to do so, the Council will facilitate interpretation (including Te Reo and sign language).
  - We will make available decisions online.
  - For those who wish to receive feedback on the process there is the option to sign up to the Council engagement e-newsletter.



# What is the Special Consultative Procedure Requirement?

This is a formal consultation process that is triggered when a decision is deemed significant (as described above). Under the SCP, we must:

- Develop a Statement of Proposal and Summary, and make it widely available.
- Allow a minimum feedback period of one month.
- Ensure people are given the opportunity to present their views to elected members at a hearing.

The law requires us to adopt the Special Consultative Procedure for:

- Making, amending or revoking a bylaw
- Transferring Council's ownership of a significant strategic asset (see the list above and also Schedule 1).
- Adopting the Treasury Management Policy
- Other acts if expressly required by laws
- Adopting and amending our Long-term Plan

In certain circumstances, Council is legislatively required to consult using the Special Consultative Procedure prescribed in Section 83 of the Local Government Act. One example of circumstances where the Special Consultative Procedure must be used is when making decisions on transferring the ownership or control of strategic assets, as listed in Schedule 1.

When using the Special Consultative Procedure, Council prepares a proposal and advertises it for public submission. Submissions on the proposal can be received from anybody and the time period for receiving submissions is at least a month. People who have submitted can also request to speak to Council regarding their submission and this is done through a Hearing Process. After considering all submissions Council then makes a decision to adopt, amend or reject the proposal.



# When Council May Not Seek Additional Information On Community Views

There are times when it is not necessary, appropriate or possible to seek additional information on community views. If this is the case, Council will make this determination in accordance with the criteria below.

The Council will not identify community views when:

- The matter is not of a nature or significance that requires consultation (LGA 2002, s82(4)(c))
- The Council already has a sound understanding of the views and preferences of the persons likely to be affected by or interested in the matter (s82(4)(b) LGA 2002);
- There is a need for confidentiality or commercial sensitivity (s82(4)(d) LGA 2002);
- The costs of consultation outweigh the benefits of it (s82(4)(e) LGA 2002);
- Entry or exit from a development agreement (private contract) as per section 207A Local Government Act 2002.
- Emergency management activities during a state of emergency – Civil Defence Emergency Management Act 2002.
- Decisions to act where it is necessary to
  - comply with the law
  - save or protect life, health or amenity
  - prevent serious damage to property
  - avoid, remedy or mitigate an adverse effect on the environment
  - Protect the integrity of existing and future infrastructure and amenity.
- Decisions in relation to regulatory and enforcement activities.
- Engagement will not be beneficial as it will not influence the decision (for example if there is only one or very limited viable options available, there may be no benefit in engaging with the community);
- An immediate or quick response or decision is needed or it is not reasonably practicable to engage;
- Works are required unexpectedly or following further investigations on projects, already approved by Council;
- Business as usual - the works required are related to the operation and maintenance of a Council asset and responsible management requires the works to take place;
- When Council has consulted on the unchanged issue in the last three years.
- Where we are not required to consult by law, we can consider making a decision without consultation on a case-by-case basis.

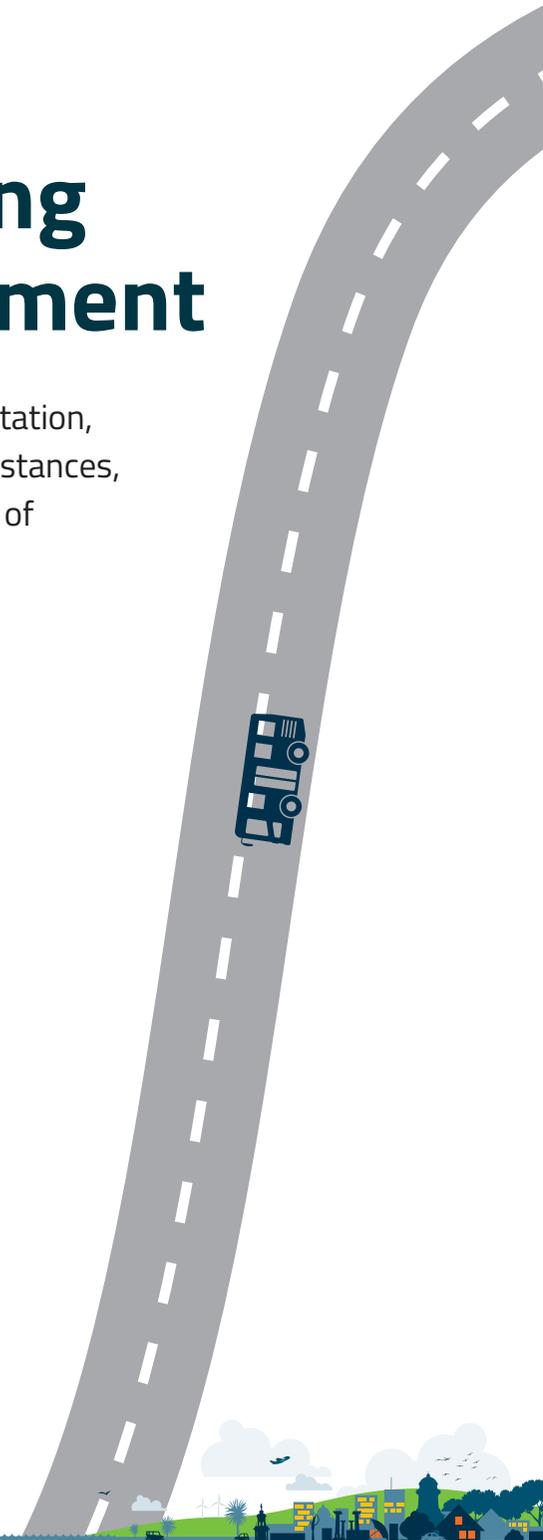


# Exception to Procedure for Determining Significance and Undertaking Engagement

The Local Government Act provides for Council to consider the practicality of undertaking extensive consultation, considering the range of options, and obtaining the views and preferences of other people. In some circumstances, failure to make an urgent decision would result in an inability to achieve the intended outcomes and a loss of opportunity.

Where an urgent decision must be made, Council will tailor its decision-making process to include as much consultation and evaluation as is practicable within the specified timeframe. If, due to time limitations, a potentially significant decision is made without extensive consultation, Council will communicate the details of the decision to the public at a level appropriate to the nature of the matter.

Where a decision is made or is to be made that is significantly inconsistent with this policy, Council when making the decision will identify the inconsistency and the reason for the inconsistency.



# Schedule 1

## Strategic Assets

- Electricity Invercargill Limited
- Invercargill Airport Limited (97.2% Council ownership)
- Invercargill City Holdings Limited
- Invercargill Public Library and Archive – Buildings and Collections
- Invercargill Waste Transfer Station
- Roading Network and Connected Infrastructure
- Sewerage Networks and Treatment Plants
- Stormwater Networks in Invercargill and Bluff
- Stormwater system in Otatara
- Water Treatment, Storage and Supply Network

Under Section 97 of the Local Government Act, any decision to transfer the ownership or control of a strategic asset to or from Council can only be made if the decision has been explicitly provided for by a statement of proposal in Council's Long Term Plan. The strategic assets defined above are the asset in total and not any individual element of the asset. Section 97 will only apply to any decision being made on the strategic asset as a whole or a major sub part of the asset. The strategic asset is the asset that is listed as a strategic asset in the above list. For example, Council's strategic asset for Electricity Invercargill Limited (EIL) is the shareholding in the parent company (EIL) and not its shareholdings in its associates or joint ventures (for example PowerNet, Otago Power Services Limited).



# Schedule 2

## Types of Engagement

**Please note:** This is not a definitive list. Techniques not listed here may be used in addition to those listed below:

### Inform

- Social media (Facebook and Instagram) posts/stories
- Paid ads via social media
- Newspapers / public notice / noticeboard
- Websites / internet
- Radio
- Flyers / posters / invitations/ brochures
- Public information sessions
- Press statements
- Displays / installations
- Community Road Shows
- Coffee & chat / Q & A sessions
- Information sent with Rates Notices
- Email

### Consult / Involve

- Written and oral submissions
- Surveys
- Social media/ online discussion tools
- Referenda
- Formal public meetings
- Focus groups / working panels / local action groups / task groups
- Multi Stakeholder Processes such as:
  - Open house events
  - Meetings with existing groups
- Citizens Juries / Panels / Charette (Group of 12-25 people representative of a community, brought together for three to five days to consider an issue)
- Advisory groups

### Collaborate

- Partnerships for major project delivery
- Membership on governing boards
- Co-creation/design of projects
- Working groups

At present the Council does not utilise techniques in the empower space, although this may change in the future. Techniques listed as appropriate in one level may be used in any of the other levels where this will best achieve the purpose of the engagement.

# Schedule 3

## International Association of Public Participation (IAP2)

The International Association of Public Participation (IAP2) is an association that works with different groups whom undertake public consultation and engagement. They are involved in the public participation process by supporting clients, colleagues and citizen's decision-making process.

The Invercargill City Council has determined to base its engagement on the core values established by IAP2 as outlined below:

- Public participation is based on the belief that those who are affected by a decision have a right to be involved in the decision-making process.
- Public participation includes the promise that the public's contribution will influence the decision.
- Public participation promotes sustainable decisions by recognising and communicating the needs and interests of all participants, including decision makers.
- Public participation seeks out and facilitates the involvement of those potentially affected by or interested in a decision.

- Public participation seeks input from participants in designing how they participate.
- Public participation provides participants with the information they need to participate in a meaningful way.
- Public participation communicates to participants how their input affected the decision.

Council has adapted the IAP2 Spectrum of Engagement for its use (included in the main Policy). IAP2's Public Participation Spectrum is designed to assist with the selection of the level of participation that defines the public's role in any community engagement process. The spectrum shows that differing levels of participation are legitimate depending on the goals, time frames, resource and levels of concern in the decision to be made.

You can find out more about IAP2 by visiting their website - [www.iap2.org](http://www.iap2.org). PNDIX 1



# Schedule 4

## Local Government Act 2002

Relevant sections from the Local Government Act 2002 which relate to this policy being:

- **76AA Significance and Engagement Policy**
- **81 Contributions to decision-making processes by Māori**
- **82 Principles of Consultation**
- **83 Special Consultative Procedure**
- **86 Use of special consultative procedure in relation to making, amending, or revoking bylaws**
- **156 Consultation requirements when making, amending, or revoking bylaws made under this Act**

### **76AA Significance and engagement policy**

- (1) Every local authority must adopt a policy setting out—
  - (a) that local authority's general approach to determining the significance of proposals and decisions in relation to issues, assets, and other matters; and
  - (b) any criteria or procedures that are to be used by the local authority in assessing the extent to which issues, proposals, assets, decisions, or activities are significant or may have significant consequences; and
  - (c) how the local authority will respond to community

preferences about engagement on decisions relating to specific issues, assets, or other matters, including the form of consultation that may be desirable; and

- (d) how the local authority will engage with communities on other matters.
- (2) The purpose of the policy is—
  - (a) to enable the local authority and its communities to identify the degree of significance attached to particular issues, proposals, assets, decisions, and activities; and
  - (b) to provide clarity about how and when communities can expect to be engaged in decisions about different issues, assets, or other matters; and
  - (c) to inform the local authority from the beginning of a decision-making process about—
    - (i) the extent of any public engagement that is expected before a particular decision is made; and
    - (ii) the form or type of engagement required.
- (3) The policy adopted under subsection (1) must list the assets considered by the local authority to be strategic assets.
- (4) A policy adopted under subsection (1) may be amended from time to time.
- (5) When adopting or amending a policy under this section, the local authority must consult in accordance with section 82 unless it considers on reasonable grounds that it has sufficient information about community interests and preferences to enable the purpose of the policy to be achieved.

(6) To avoid doubt, section 80 applies when a local authority deviates from this policy.

### **81 Contributions to decision-making processes by Māori**

- (1) A local authority must—
  - (a) establish and maintain processes to provide opportunities for Māori to contribute to the decision-making processes of the local authority; and
  - (b) consider ways in which it may foster the development of Māori capacity to contribute to the decision-making processes of the local authority; and
  - (c) provide relevant information to Māori for the purposes of paragraphs (a) and (b).
- (2) A local authority, in exercising its responsibility to make judgments about the manner in which subsection (1) is to be complied with, must have regard to—
  - (a) the role of the local authority, as set out in section 11; and
  - (b) such other matters as the local authority considers on reasonable grounds to be relevant to those judgments.

### **82 Principles of consultation**

- (1) Consultation that a local authority undertakes in relation to any decision or other matter must be undertaken, subject to subsections (3) to (5), in accordance with the following principles:



- (a) that persons who will or may be affected by, or have an interest in, the decision or matter should be provided by the local authority with reasonable access to relevant information in a manner and format that is appropriate to the preferences and needs of those persons:
- (b) that persons who will or may be affected by, or have an interest in, the decision or matter should be encouraged by the local authority to present their views to the local authority:
- (c) that persons who are invited or encouraged to present their views to the local authority should be given clear information by the local authority concerning the purpose of the consultation and the scope of the decisions to be taken following the consideration of views presented:
- (d) that persons who wish to have their views on the decision or matter considered by the local authority should be provided by the local authority with a reasonable opportunity to present those views to the local authority in a manner and format that is appropriate to the preferences and needs of those persons:
- (e) that the views presented to the local authority should be received by the local authority with an open mind and should be given by the local authority, in making a decision, due consideration:
- (f) that persons who present views to the local authority should have access to a clear record or description of relevant decisions made by the local authority and explanatory material relating to the decisions, which may include, for example, reports relating to the matter that were considered before the decisions were made.

- (2) A local authority must ensure that it has in place processes for consulting with Māori in accordance with subsection (1).
- (3) The principles set out in subsection (1) are, subject to subsections (4) and (5), to be observed by a local authority in such manner as the local authority considers, in its discretion, to be appropriate in any particular instance.
- (4) A local authority must, in exercising its discretion under subsection (3), have regard to—
  - (a) The requirements of section 78; and
  - (b) the extent to which the current views and preferences of persons who will or may be affected by, or have an interest in, the decision or matter are known to the local authority; and
  - (c) the nature and significance of the decision or matter, including its likely impact from the perspective of the persons who will or may be affected by, or have an interest in, the decision or matter; and
  - (d) the provisions of Part 1 of the Local Government Official Information and Meetings Act 1987 (which Part, among other things, sets out the circumstances in which there is good reason for withholding local authority information); and
  - (e) the costs and benefits of any consultation process or procedure.
- (5) Where a local authority is authorised or required by this Act or any other enactment to undertake consultation in relation to any decision or matter and the procedure in respect of that consultation is prescribed by this Act or any other enactment, such of the provisions of the principles set out in subsection (1)

as are inconsistent with specific requirements of the procedure so prescribed are not to be observed by the local authority in respect of that consultation.

### **83 Special consultative procedure**

- (1) Where this Act or any other enactment requires a local authority to use or adopt the special consultative procedure, that local authority must—
  - (a) prepare and adopt—
    - (i) a statement of proposal; and
    - (ii) if the local authority considers on reasonable grounds that it is necessary to enable public understanding of the proposal, a summary of the information contained in the statement of proposal (which summary must comply with section 83AA); and
  - (b) ensure that the following is publicly available:
    - (i) the statement of proposal; and
    - (ii) a description of how the local authority will provide persons interested in the proposal with an opportunity to present their views to the local authority in accordance with section 82(1)(d); and
    - (iii) a statement of the period within which views on the proposal may be provided to the local authority (the period being not less than 1 month from the date the statement is issued); and
  - (c) make the summary of the information contained in the statement of proposal prepared in accordance with paragraph (a)(ii) (or the statement of proposal, if a summary is not prepared) as widely available as is reasonably practicable as a basis for consultation; and

- (d) provide an opportunity for persons to present their views to the local authority in a manner that enables spoken (or New Zealand sign language) interaction between the person and the local authority, or any representatives to whom an appropriate delegation has been made in accordance with Schedule 7; and
- (e) ensure that any person who wishes to present his or her views to the local authority or its representatives as described in paragraph (d)—
  - (i) is given a reasonable opportunity to do so; and
  - (ii) is informed about how and when he or she may take up that opportunity.
- (2) For the purpose of, but without limiting, subsection (1)(d), a local authority may allow any person to present his or her views to the local authority by way of audio link or audiovisual link.
- (3) This section does not prevent a local authority from requesting or considering, before making a decision, comment or advice from an officer of the local authority or any other person in respect of the proposal or any views on the proposal, or both.

**86 Use of special consultative procedure in relation to making, amending, or revoking bylaws**

- (1) This section applies if, in accordance with section 156(1)(a), the special consultative procedure is required to be used in relation to the making, amending, or revoking of a bylaw.

- (2) The statement of proposal referred to in section 83(1)(a) must include,—
  - (a) as the case may be,—
    - (i) a draft of the bylaw as proposed to be made or amended; or
    - (ii) a statement that the bylaw is to be revoked; and
  - (b) the reasons for the proposal; and
  - (c) a report on any relevant determinations by the local authority under section 155.

**156 Consultation requirements when making, amending, or revoking bylaws made under this Act**

- (1) When making a bylaw under this Act or amending or revoking a bylaw made under this Act, a local authority must—
  - (a) use the special consultative procedure (as modified by section 86) if—
    - (i) the bylaw concerns a matter identified in the local authority’s policy under section 76AA as being of significant interest to the public; or
    - (ii) the local authority considers that there is, or is likely to be, a significant impact on the public due to the proposed bylaw or changes to, or revocation of, the bylaw; and
  - (b) in any case in which paragraph (a) does not apply, consult in a manner that gives effect to the requirements of section 82.

- (2) Despite subsection (1), a local authority may, by resolution publicly notified,—
  - (a) make minor changes to, or correct errors in, a bylaw, but only if the changes or corrections do not affect—
    - (i) an existing right, interest, title, immunity, or duty of any person to whom the bylaw applies; or
    - (ii) an existing status or capacity of any person to whom the bylaw applies;
  - (b) convert an imperial weight or measure specified in a bylaw into its metric equivalent or near metric equivalent.





**Invercargill**  
CITY COUNCIL

