



NOTICE OF MEETING

**Notice is hereby given of the Meeting of the
Finance and Projects Committee to be held in the
Council Chamber, First Floor, Te Hīnaki Civic
Building, 101 Esk Street, Invercargill at at 3.00 pm**

Cr G M Dermody (Chair)
Mayor W S Clark
Cr A J Arnold
Cr T Campbell
Cr D J Ludlow
Cr I R Pottinger
Cr L F Soper
Cr B R Stewart
Cr R I D Bond

MICHAEL DAY
CHIEF EXECUTIVE

Finance and Projects Committee - Public

17 October 2023 03:00 PM

Agenda Topic	Page
1. Apologies	
2. Declaration of Interest	
a. Members are reminded of the need to stand aside from decision-making when a conflict arises between their role as an elected representative and any private or other external interest they might have.	
b. Elected members are reminded to update their register of interests as soon as practicable, including amending the register at this meeting if necessary.	
3. Public Forum	
4. Minutes of the Finance and Projects Committee Meeting Held on 15 August 2023 (A4796748)	5
5. LTP 2024 – 2034 Assumptions (A4903702)	11
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7. Financial Update – October 2023 (A4899507)	34
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9. Public Excluded Session	

Public Excluded Session

Moved , seconded that the public be excluded from the following parts of the proceedings of this meeting, namely:

- a) Confirmation of Minutes of the Public Excluded Session of the Finance and Projects Committee Held on 15 August 2023
- b) Financial Update - October 2023
- c) Investment Property Land Disposal Options
- d) Invercargill Central Limited Monitoring Report
- e) Business Enhancement Programme Report - Verbal Update

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
a) Confirmation of Minutes of the Public Excluded Session of the Finance and Projects Committee Held on 15 August 2023	<p>Section 7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p>Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p>
b) Financial Update - October 2023	<p>Section 7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p> <p>Section 7(2)(a) Protect the privacy of natural persons, including that of deceased natural persons</p>	<p>Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p>
c) Investment Property Land Disposal Options	<p>Section 7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p>Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p>

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| d) Invercargill Central Limited Monitoring Report | Section 7(2)(h)
Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities | Section 48(1)(a)
That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7 |
| | Section 7(2)(i)
Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) | |
| e) Business Enhancement Programme Report - Verbal Update | Section 7(2)(h)
Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities | Section 48(1)(a)
That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7 |

**MINUTES OF FINANCE AND PROJECTS COMMITTEE, HELD IN THE COUNCIL CHAMBERS,
FIRST FLOOR, TE HĪNAKI CIVIC BUILDING, 101 ESK STREET, INVERCARGILL ON TUESDAY
15 AUGUST 2023 AT 3.00 PM**

Present: Cr G M Dermody (Chair)
Mayor W S Clark
Cr A J Arnold
Cr D J Ludlow
Cr I R Pottinger
Cr L F Soper
Cr B R Stewart

In Attendance: Cr P M Boyle
Cr S J Broad
Rev E Cook – Māngai – Waihōpai
Mr M Day – Chief Executive
Ms E Moogan – Group Manager – Infrastructure
Mrs P Christie – Acting Group Manager – Finance and Assurance
Ms J Hutton – Interim Group Manager – Customer, Communications
and People
Mr J Shaw – Interim Group Manager – Consents and Compliance
Mr A Cameron – Chief Risk Officer
Mr L Butcher – Programme Director
Mr M Morris – Manager – Governance and Legal
Ms R Suter – Manager – Strategy and Policy
Ms L Knight – Manager – Strategic Communications
Mr G Caron – Digital and Communications Advisor
Ms M Sievwright – Senior Executive Support

1. Apologies

Cr T Campbell.

Moved Cr Pottinger, seconded Cr Stewart and **RESOLVED** that the apologies be accepted.

2. Declaration of Interest

Nil.

3. Public Forum

Nil.

4. Minutes of the Meeting of Finance and Projects Committee held on Tuesday 20 June 2023

Moved Cr Soper, seconded Cr Ludlow that the Minutes of the Finance and Projects Committee held on Tuesday 20 June 2023 be received.

The question was asked how the minutes were captured, and whether actions were captured as part of the discussion. If an action was believed to be missed, adjustments could be made to the minutes. It was noted there were often references made to reports coming back to Council and it was noted that unless a timeline was noted, the Chief Executive would work with staff to follow up. If councillors were asking for reports to come back, they needed to know timelines.

It was also noted that while the minutes were not verbatim, they were now more detailed.

A discussion was held regarding the accuracy of minutes and it was noted that consistency across organisations was required. Each council set their own expectations of what was included in minutes, however ICC could ask other councils to include more information. It was noted that the Act stated so long as the resolution was captured, it was up to each council as to what was included. Chairs needed to be clear about what they wanted to see in the minutes.

The motion, now put, was **RESOLVED**.

5. Strategic Capital Projects Report

A4660540

Mr Lee Butcher took the meeting through his report.

There were some pressures starting to become apparent such as costs increasing across a number of projects. For some projects they were on the third or fourth cost plan as budgets were continually updated. A lot of the cost increases were cost of living and value of materials. Some of the items costed in 2021 were now 20% more, particularly plant and equipment.

In response to a question regarding contingency, and whether the contingency should be higher than 20%, it was noted this was taken out of the value of the asset being designed so this could limit what was being achieved in trying to keep an appropriate amount of contingency or letting it go.

A comment in the report said Council were in a good position to pivot to design, and the question was asked whether this meant the design would change. Mr Butcher said he could start to look at places and design differently or change scope, understanding where the pressures came from, and focus on different types of materials.

In regard to a question regarding CCTV, it was noted that additional dashboards were required to cover all projects, however it was noted that the CCTV project was not being delivered by the PMO office.

It was noted that strategic capital projects were delivered through the PMO team and the other renewals projects were run through different programmes which were reported through the Quarterly Performance Report. An internal programme was the Business Enhancement Programme which is normally reported to the Committee but the dashboard was being reworked and will be presented to the next meeting. It was noted that Esk Street West was not a project at this stage. It was requested that the current dashboard include other projects, even though they were not delivered by the PMO, although it was noted this was a change to what was originally ask for and funded. This request would be worked through by staff.

It was noted Council were slow in updating the community on CCTV. The issue of Esk Street West also had significant consent processes which needed to be work through before the new hotel was complete.

In regard to a question regarding relocation risks to the Museum, the team had created a relocation plan and there were a lot of assumptions made. Now Stage One of the relocation had been completed, the Plan would be revisited. It was important the Plan was updated with lessons learnt and reported back so there was confidence in Stage Two.

In response to a question around pre-purchasing specialist materials for the storage facility, it was noted that the Storage Facility had been contracted well with fixed pricing so it was tracking well. This was not guaranteed with other projects due to the markets.

It was noted the resource consent for the Bluff Boat Ramp was slow in coming through. Contractors and pricing had been obtained but could not start until the consent had been provided.

Moved Cr Pottinger, seconded Cr Stewart and **RESOLVED** that the Finance and Projects Committee:

1. Receives the report "Strategic Capital Projects Report".
2. Receives the 'ICC PMO Programme Dashboard' attached.
3. Note the current status of the projects including project risk assessment

6. Financial Risk Management Policy

A4698862

Ms Rhiannon Suter took the meeting through her report.

The report noted a cap of \$300 per night for accommodation had been introduced and to use preferred providers. It was noted that there were a number of hotel providers around the country which were preferred, however other hotel providers would be considered going forward.

Entertainment and hospitality expenditure had been removed. It was clarified that what was being removed was if you were taking someone out for revenue gathering purposes.

In response to a question around koha and gifts, it was noted that alcohol which had been received as a gift would expire if it was not used, and it was suggested this could be consumed or given away. A report would be brought to back to Council. It was noted koha, and gifts and benefits were two different things. The most important thing was to declare the gift.

In response to a question around credit cards, it was noted that supplementary information was required before these cards could be signed off. Full training would be given to staff around reporting.

It was noted that the Policy stated it would be reviewed every three years, however it referred to the Finance and Projects Committee. It should not that in three years' time, this committee could be renamed.

Moved Cr Soper, seconded Cr Stewart and **RESOLVED** that the Finance and Projects Committee:

1. Receives the report "Financial Risk Management Policy".
2. Notes proposed amendments to the existing policies, and the provisions of the newly formulated policy.

Recommend to Council:

3. Approves the "Draft Financial Risk Management Policy" (A4222312) for adoption by Council, as presented.

7. Financial Update – August 2023

A4763584

Mrs Patricia Christie took the meeting through her report.

The net debt balance was \$65 million and Council continued to have a small policy breach on its debt cover policy.

It was raised whether the ICL loan would get paid back. In response it was noted that the term of this loan was until December 2023 but this could be extended. Council could convert loan to equity, however this would not improve the net debt position. Revenue earned in relation to debt was assessed on revenue for the debt cap, so you lose the ability to apply this investment to debt, the revenue also lowers the debt cap.

A question was raised as to whether Saving Grace had received the second of three payments which would total \$100,000. It was confirmed that the grant in the LTP was for \$100,000 in total and a report would be presented to Council at the Council meeting next week.

There were 663 dog not registered and the question was asked whether this reflected deceased dogs. It was noted that this number came from the Animal Control team and they would follow up in the coming weeks with unpaid registration.

Moved Cr Soper, seconded Cr Ludlow and **RESOLVED** that the Finance and Projects Committee:

1. Receives the report "Financial Update – August 2023".
2. Note the current state of Council finances.

8. Performance Report

A4746508

Ms Suter and Mrs Christie took the meeting through their report.

A number of questions were asked as noted below:

- WasteNet sat on \$1.4 million worth of reserves, and Council's share of this was included in investments and would show in the draft Annual Report and are not included in the June result presented.
- Roading KPIs expected a zero road toll, however this was beyond the control of a roading manager. It was noted this KPI was legislatively placed on Council and was out of Council control.
- Regulatory Services was actually 98% rather than 96%.
- Employee expenses and vacancies, and the inability to get qualified staff, the question was asked if this was an opportunity to upskill internal staff or to bring in internships and iwi. Council had partnered with Te Tapu o Tane and were actively looking at this issue.
- It was noted that the Solid Waste Management Plan needed to be more descriptive. ICC were one of three out of 67 councils which did not separate glass. The other two Southland councils who were part of WasteNet had different views on glass. This issue would be referred back to Infrastructure Services.
- The lead designer appointment for Housing had been delayed by two months. This was around the timing of the design.

Moved Cr Soper, seconded Cr Stewart and **RESOLVED** that the Finance and Projects Committee:

1. Receive the report "Performance Report for the year ended 30 June 2023".
2. Note 70 of 99 measures (71%) of the level of service performance were achieved for the year ended 30 June 2023, compared to 66/99 (67%) in 2021/2022.
3. Note the draft net operating deficit for the year ended 30 June 2023 is \$8.7 million.
4. Note the capital programme to 30 June 2023 has delivered \$51.1 million. This represents 96% of forecast and 64% of the planned programme in the Annual Plan.
5. Note the performance report contains provisional results for the year and is not the draft annual report. Year-end review and adjustments including selected asset revaluations and Council's share of WasteNet are still to be reflected.

9. Public Excluded Session

Moved Cr Stewart, seconded Cr Ludlow and **RESOLVED** that the public be excluded from the following parts of the proceedings of this meeting, namely:

- a. Financial Update – August 2023
- b. Investment Property Portfolio – Strategic Property
- c. ICL Project Update

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
a. Confirmation of Minutes of the Public Excluded Session of the Infrastructure Committee held on 6 June 2023	Section 7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7
b. Contract C1167 Road Corridor Maintenance 2023 - 2028	Section 7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7
c. ICL Project Update	Section 7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7

There being no further business, the meeting finished at 6.01 pm.

LTP 2024 – 2034 ASSUMPTIONS

To:	Finance and Projects
Meeting Date:	Tuesday 17 October 2023
From:	Rhiannon Suter, Manager – Strategy, Policy and Engagement
Approved:	Patricia Christie, Group Manager – Finance and Assurance
Approved Date:	Tuesday 3 October 2023
Open Agenda:	Yes

Purpose and Summary

This report provides the Committee with the draft assumptions for the Long-term Plan with a focus on financial assumptions. It should be read in conjunction with the report provided to Risk and Assurance on 19 September 2023.

Recommendations

That the Finance and Projects Committee:

1. Receives the report "LTP 2024 – 2034 Assumptions".
2. Notes and provides feedback on the items relevant to financial assumptions included in the draft assumptions for the LTP (A4848736).

Background

Council is required to develop assumptions which underpin its Long-term Plan, both to inform the services it will provide the community, the capital which will be required to provide those services and the budget which will enable delivery.

The assumptions underpin the Infrastructure Strategy and the Financial Strategy, both of which interrelate and will be brought to Council in October.

Many of the higher level assumptions have a flow through impact on the financial assumptions, however this report deals specifically with those assumptions which have the most direct link to financials.

Issues

Draft Assumptions

The draft assumptions have been developed utilising the following sources:

- Infometrics report "Economic update for Long Term Planning for Invercargill City Council", April 2022.
- Infometrics report "Southland Region forecasting scenarios for Beyond 2025 Southland", June 2023.
- Beyond 2025 Southland Regional Long Term Plan.
- NZIER report "Invercargill CBD regeneration", May 2023.
- Southland CBD Rejuvenation Community and Business Survey Report, March 2023.
- Rationale report "Murihiku Southland Housing Needs Assessment", May 2023.
- RBNZ "Household inflation expectations (H1)", August 2023.

While Covid is no longer a factor, the after effects of the pandemic remain a considerable factor in the current economic volatility and the continued higher levels of uncertainty.

There are some significant improvements since the time of setting the assumptions for the previous LTP:

- The expected recession has not eventuated – employment has remained stronger than anticipated.
- International migration numbers have bounced back quickly and tourism numbers are expected to return to pre-Covid levels more quickly.
- The future for Tiwai, while still not settled, appears more likely to result in a renegotiated power deal and the plant remaining for the immediate future.
- City Block has been found to have delivered significant social and economic benefits for the city and retailers and resident feedback is positive.

There are however a number of headwinds which are worth considering:

- Inflation is higher than expected and there is a significant cost of living challenge which is likely to affect some ratepayers' ability to pay. Economic uncertainty around inflation forecasts remains higher than usual.
- The cost of borrowing has increased and again uncertainty around forecast rates is higher than usual.
- Global commodity prices, after initially buffering the Southland economy for the past couple of years, are now weakening and along with expected increased environmental regulation have the potential to significantly impact the primary sector which remains the backbone of the Southland economy.
- Economic diversification options such as southern green hydrogen, forestry (carbon forestry) and aquaculture¹, while they are likely to have significant benefits for GDP, are less likely to bring significant employment growth and commensurate population growth benefits at a level to have a significant impact on rates growth.
- Housing remains a potential constraint for the city, with the most significant challenge being availability of housing which meets current needs (over-supply of older housing stock, mid-range family homes). There are positive developments on the horizon but still a lack of certainty of delivery dates.

¹ Note the forecast for aquaculture in Beyond 2025 noted the limitations around the forecast based on limited industry information and stretch forecast for industry growth.

There remain significant unknowns which it is hoped will become clearer over the next months prior to finalisation of the assumptions for the LTP:

- Implications for Council operations as a result of potential policy change following the election. It is unknown what changes there may be to Affordable Water Reform, Resource Management Reform and Local Government Reform, among other significant policy packages in the environmental space, all of which have the potential to have major impact on the structure and operation of Council. The risk profile changes significantly with different potential structuring of Council involvement in three waters, including in the area of capital deliverability in the early years of the LTP prior to transfer, discharge consent processes and funding impact for delivering major enhancements of the network including alternative water supply and extension to Bluff.
- There are new potential industries which have expressed an interest in locating in the District. Some of these are anticipated to require further infrastructure connections – water, roading etc. However, as the locations are not yet finalised forecasting future required investment is challenging. This has potential implications on the Infrastructure Strategy and the capital growth modelling.
- Finalisation of the financial restructure of ICL and ICHL, with consequent impact on Council's potential debt ceiling and certainty around future dividend forecasts.
- The LTP advice from the Office of the Auditor General has not yet been received and this could impact Council's approach on matters of strategy and presentation of the key documentation in unexpected ways.
- Advice from Environment Southland (including EMS) is expected shortly around assumptions on forecast implications of natural disaster and environmental regulatory and policy change.

Population and Households

The population and households assumption (growth) have a flow through impact on financial forecasting through the expected rates take. The assumption is in line with known rating units and further cross-checking against known consent applications will be completed. No change is expected. The current forecasts are substantially in line with the trend forecast of the previous LTP.

Water Reform

Water Reform remains a significant unknown. Removal of the three waters activities are modelled for the third year of the LTP. There is a flow through impact on revenue and the debt ceiling for Council. Both scenarios are being planned for.

Funding Assistance Rate

The Funding Assistance Rate is forecast on current known information. It is the most significant subsidy revenue Council receives. Any change in the FAR rate would have a potentially significant impact on Council. Should this underlying assumption change, changes would be made to the road programme to align with the new FAR rate.

Capital Programme Delivery

As for the last LTP, 100% of delivery is forecast for the strategic projects – this reflects that they must be fully budgeted for and as standalone projects will be delivered although timeframes may adjust slightly. Funding adjustments will be planned for through the Annual Plans.

Renewals are forecast at 80% rising to 90% reflecting the continuous nature of the programme, as well as contracting constraints and opportunity for increased maturity in delivery. Should the Infrastructure team deliver a higher level of renewals than anticipated this would be adjusted for during the annual process of forecasting. It may require an adjustment in the subsequent Annual Plan. This assumption is in line with previous trends with some stretch for the team.

Inflation

Inflation, along with interest rates, are two of the most important assumptions for the budget. They will continue to be closely monitored and will be adjusted during each Annual Plan as required.

Asset Revaluation

Asset revaluation has a significant impact on funding for renewals, including via depreciation. The assumption is unlikely to change however there are significant impacts flowing through to the approach to fund renewals. The strategy for funding renewals will be included in the financial strategy which will reflect this assumption.

Interest rates – Borrowing / Cash and Deposits.

A significant change in interest rates and the cost of borrowing would have a significant impact on Council budgets. Changes to services or the Financial Strategy would need to be considered.

Dividends from ICHL

The forecast assumption from ICHL will be updated following the issue of the Letter of Expectation and again on the receipt of the Draft Statement of Intent.

External funding

Council is expecting external funding from Central Government, community and private investment into a number of strategic projects. While not all funding may be achieved, the estimates are based on expert analysis and are expected to be at least partially fulfilled. Council expects to be in a position to meet any shortfall.

Risk

The risk factors related to the assumptions were discussed at the Risk and Assurance Committee on 19 September 2023.

Next Steps

The assumptions will continue to be refined and will be brought back to Risk and Assurance at the next meeting with any relevant comments from this committee, ahead of audit and adoption for consultation.

Attachments

Appendix 1 - Draft Assumptions for LTP (A4848736)

ASSUMPTIONS FOR INVERCARGILL CITY COUNCIL LONG-TERM PLAN 2024-2034

POPULATION¹	Likelihood	Consequence	Council Response
<p>Population growth As at 30 June 2023, the estimated population of Invercargill is approximately 57,100. The population is projected to increase over the next ten years but growth will depend significantly on whether the Tiwai Point smelter closes or remains open, and whether or not various industries are developed as envisaged in the Beyond 2025 Regional Long Term Plan.</p>	Likely	Moderate	Although population growth in excess of the assumptions will have a moderate to significant impact on the Council finances this will have significant lead time. Council will be able to monitor the applications for resource consents and use this as guidance for the population growth into the future. A population decline would be a more significant impact but is not expected.
<p>Population growth - Tiwai remains open If Tiwai Point remains open, it is projected that the population of Invercargill will increase by a little over 5,000 people over the course of the Long-term Plan.</p>		Minor	Tiwai remaining open may result in further investment in power to support new industries. Council will continue to advocate for this to Central Government.
<p>Population growth - Tiwai closes With the closure of Tiwai Point growth in population of just over 4,000 people is expected.</p>		Moderate	Council has participated in the Just Transitions programme to support transition in the case of Tiwai closure and will continue to liaise with the Enduring Oversight Committee to support the community.

¹ Infometrics report “Southland Region forecasting scenarios for Beyond 2025 Southland”, June 2023

<p>Diversity The population will continue to become more diverse. The Māori population will grow from 19% to 25%. The Asian population will grow from 8% to 13%.</p>	<p>Likely</p>	<p>Minor</p>	<p>Council will increase engagement opportunities for different parts of the community to help support all voices being heard. Changes to Council services are expected to be able to be accommodated from within existing operational budgets through adjustment of focus.</p>
<p>Ageing population Those aged 65 and older will form 24% of the population in 2034, which is higher than the current aged population in 2023 (estimated as 10,790 of 57,088 (19%)).</p>	<p>Likely/ Almost Certain</p>	<p>Moderate</p>	<p>Demographic changes are clear and while future migration patterns may offset aging to some extent this is not expected to be of a high enough level to counter the known level of aging. Council is considering how to respond to changing housing needs for older people through provision of elderly housing, adjustment to the District Plan and potential partnership projects. Impacts on other services including public transport, libraries and pools (e.g. hydrotherapy pool) are being planned for.</p>
<p>Households Households will increase from 23,256 in 2022 to 26,087 in 2034. The number of households stagnated over 2020-2021, but is projected to show positive growth over the course of this LTP, with growth peaking at 1.1% in 2032. The average size of households is expected to reduce from 2.39 to 2.34 by the end of this LTP.</p>	<p>Moderate/ Likely</p>	<p>Moderate/ Major</p>	<p>The number of households underpins the rating base and Council revenue for activities. A decline or slower growth in households would require Council to review services and/or financial strategy.</p>

SOCIAL	Likelihood	Consequence	Council response
<p>Socio-economic Inflation will continue to squeeze household budgets and impact abilities to pay rates. Inflation is expected to stay above 3% until 2025/2026.^{2 3}</p>	<p>Moderate/ Likely</p>	<p>Major</p>	<p>Economic volatility remains high with economists urging caution on reliability of forecasting. Significant increases in inflation will impact not only Council’s planned expenditure but the community’s ability to pay. Higher than expected inflation may require review of services, capital investment and/or financial strategy. Lower inflation will improve Council’s position and ability to deliver.</p>
<p>Community resilience Tiwai Point Aluminium Smelter is expected to continue operating for the time of the Long-term Plan. Should Tiwai close this is expected to have an impact on community resilience.</p>		<p>Moderate</p>	<p>Council has plans in place, including community support for the Just Transitions Connected Murihiku programme and support for Great South to deliver economic diversification options. Additional investment may be required on any announcement of closure.</p>
<p>Community resilience Although the Zero Fees scheme has been extended through 2024 for Southern Institute of Technology Te Pūkenga, it is unlikely to continue throughout the life of the Long-term Plan. This will have an uncertain level of negative impact on Invercargill's population and economy.</p>	<p>Likely</p>	<p>Minor</p>	<p>The Zero Fees Scheme has been an important tool in lifting the skill base of the local community as well as attracting new people live in the city. Loss of Zero Fees will remove a competitive edge for the city which has potential unknown longer term impacts.</p>

² Infometrics report “Economic update for Long Term Planning for Invercargill City Council”, April 2022, p11

³ RBNZ “Household inflation expectations (H1)”, August 2023

<p>Housing stock Urban Invercargill's housing supply rate will increase slightly from 0.5% a year to 0.7% a year based on Council's intended District Plan changes, known future developments and proposed partnership projects.⁴</p>	Possible/Moderate	Moderate	Housing has been identified as a potential constraint to growth. Failure of responses to increase the supply could limit future population growth. Council would need to consider alternative responses.
ECONOMIC	Likelihood	Consequence	Council Response
<p>Economy Inflation will peak in June 2023 and stay above 3% until 2025/2026.⁵ Employment is expected to weather any recessionary conditions fairly well but unemployment is expected to increase nationally.⁶ A short term dip is forecast for the early years of the plan with stronger growth in professional and highly skilled occupations.⁷</p>	Moderate/Likely	Moderate	Inflation increases would have significant impact on budgets. Council would need to consider changes to services and/or the financial strategy.
<p>Community funding Despite recent economic challenges, Community Trust South and the Invercargill Licensing Trust Group have managed to return their funding levels to pre Covid-19 levels. This is anticipated to take some pressure off Council's funding pool.</p>	Likely	Minor	Council will continue to liaise with other funding partners, including to monitor forecast security of investment, to assist control of this risk.

⁴ Rationale report "Murihiku Southland Housing Needs Assessment", May 2023, p26

⁵ Infometrics report "Economic update for Long Term Planning for Invercargill City Council", April 2022, p11

⁶ Infometrics report "Southland Region forecasting scenarios for Beyond 2025 Southland", June 2023, p15

⁷ *Id.* p15-18

<p>Economic diversification Volatility in the global economy may affect one or more of Invercargill's key export industries. This will drive diversification but will slow growth. Employment growth in new industries such as aquaculture and green hydrogen is not expected to offset any declines in agriculture.⁸ There may be a delayed effect through the risk of impacted industries abandoning properties. Growth in the forestry industry as a result of carbon farming has the potential to negatively impact Invercargill's economy.⁹</p>	Possible	Moderate	Council will continue to work closely with the Regional Council, Great South, the Chamber of Commerce and other stakeholders to support economic diversification for the region. In the case of significant industry decline a targeted response may need to be developed.
<p>Central Business District The City Block development has been successfully completed and has attracted new development, including two new hotels in the city centre. Council will continue to support initiatives to drive the success of a thriving CBD. GDP will increase by \$14m annually as a result of the investment until 2030.¹⁰</p>	Likely	Moderate	Council remains strongly committed to its vision “Our City with Heart – He Ngākau Aroha.” Any divergence from this vision could impact the financial viability of ICL but is not expected. Further investment may be required either in the City Block or associated city streets improvements.
<p>Tourism Tourism in the Visit Southland area is expected to increase to between 160% - 165% of pre-Covid levels by 2029.¹¹ Invercargill is expected to proportionally benefit from this increase and demand for accommodation to increase and to be met from within existing stock.</p>	Moderate/Likely	Minor	Tourism, while important, is not currently a major driver of the Invercargill economy, although it has great potential to grow. Council may need to invest in further infrastructure if tourism grows faster than expected and manage any flow on impact on

⁸ Beyond 2025 Southland Regional Long Term Plan, p20-21

⁹ *Id.*, p20

¹⁰ NZIER report “Invercargill CBD regeneration”, May 2023, p17

¹¹ Beyond 2025 Southland Regional Long Term Plan, p56

			housing availability given housing constraints.
<p>International education The numbers of international students studying at Southern Institute of Technology (SIT) Te Pūkenga are not expected to return to pre-Covid levels until 2028 at the earliest.¹² The decline as a result of Covid would be compounded if there was a change in policy at Te Pūkenga with reduced focus on recruiting international students, and by reduced domestic competitiveness as a result of the likely end of the Zero Fees policy.</p>	Moderate/Likely	Minor	International students and their families create significant demand for certain categories of housing, including city centre housing. Lower numbers of international students is likely be a factor in the trend of an increasingly aged population. Lower or higher than expected numbers of international students may require an adjustment in Council response to City centre strategy and/or other provisions/ partnerships impacting housing availability.
<p>Climate change regulatory change Legislative change is expected to increase requirements, reflected in the Emissions Reduction Plan and the National Adaptation Plan, on businesses and Council with an impact on economic growth as yet unknown.¹³</p>	Likely	Moderate/ Major	Council is working with the regional Climate Change Working Group to set a strategy for the region and action plan for Council. Further investment will be required in activities to reduce emissions and to better understand climate change risk to Council assets.

¹² Infometrics report “Economic update for Long Term Planning for Invercargill City Council”, April 2022, p18

¹³ Ministry for the Environment “Implementing Aotearoa New Zealand’s first emissions reduction and national adaptation plans”, 2023

ENVIRONMENTAL	Likelihood	Consequence	Council response
<p>Mean annual and extreme temperature (days where temp. exceeds 25C) are expected to increase with time: By 2040: mean annual temperature increase of 0.5-1.0C with 0-10 more hot days per annum. By 2090: mean annual temperature increase of 0.7-3.0C, with 5-55 more hot days per annum</p>	Moderate	Minor	Temperature increase while important has an indirect impact on Council operations, which are expected to be accommodated within Council plans.
<p>Annual rainfall is expected to increase By 2040: +0-10% B 2090: +5-20% Increased frequency of high rainfall days, i.e. Increase in intensity of rainfall</p>	Moderate	Moderate/ Major	Increased intensity of rainfall is expected to result in increased flooding. Council has adjusted its stormwater asset profiles to plan for increased major flooding events but there remain significant areas of the network which have not yet been renewed. There are also impacts on efficiency of the Sewerage treatment system as a result of overflow from the stormwater system during high rainfall events. Dependent on the Affordable Water Reform and Council’s ongoing areas of responsibility, adjustment may need to be made the renewal programme.
<p>Mean sea level is expected to rise By 2040: 0.2-0.3m By 2090: 0.4-0.9m</p>	Moderate/ Uncertain	Moderate/ Major	There remains significant modelling which must be completed at a regional level to attain an understanding of what sea level rise is likely and its potential impact. There are known risk areas including the Airport and Bluff which need further investigation. Council has invested in major infrastructure

			upgrades at Stead Street to increase protection for the city. Further work will be required on associated flood banks to maximise this investment. Environment Southland has responsibility for managing and maintaining the remainder of the city’s floodbank network.
<p>Natural disaster Extreme weather events are happening more frequently and this trend is likely to continue due to climate change. There is a 75% probability of the Alpine Fault rupturing within the next 50 years.¹⁴</p>	Possible	Major/ Catastrophic	A major disaster which impacted Council’s ability to operate at the same time that the community’s need for disaster relief was required to be supported would require a major shift in strategy and operations. Council supports Emergency Management Southland to coordinate the response in such a situation. Council would fund response to a natural disaster primarily via debt.
<p>Environmental renewal Council will invest to understand more about the levels of environmental damage at Ocean Beach and New River Estuary. It is possible that further investment in renewal will be required within the life of the infrastructure Strategy.</p>	Likely	Moderate	There is potential significant investment required for contamination management. The scale of this work is as yet unknown.

¹⁴ <https://af8.org.nz>

CULTURAL	Likelihood	Consequence	Council response
<p>Māori culture Māori culture has become more visible in the city since the time of the last Long-term Plan and will continue to become more visible.</p>	Likely/ Almost certain	Low	Council is working closely in partnership with Mana whenua and would seek to manage impacts through this relationship.
<p>Project 1225 Te Unua Museum of Southland will be built by December 2025, and open to the public in the second half of 2026.¹⁵</p>	Almost certain	Moderate	The programme is on schedule and remains a primary focus of Council. The impact of delay on service delivery is low, however the reputational risk of late delivery is significant. Council continues to actively manage this project through the PMO.
<p>Civic pride Resident pride in the city following the redevelopment has increased (in 2023 80% of people said they would speak more positively about the city)¹⁶ and will continue to increase as new projects including Project 1225 are completed.</p>	Likely/ Almost certain	Minor	Council sees both City Block and Project 1225 as major cornerstone projects to achieving of its vision – Our City with Heart – He Ngakau Aroha. The social and economic benefits are already being realised. Continued commitment to the strategy will be required for full delivery.
<p>Cultural activation An increase in activities and events reflecting the diverse culture of Southland will take place following Council investment in activation and private uptake of new facilities available.</p>	Likely	Minor/Moderate	Activation is essential to leverage Council’s capital investment in the city centre. Council will continue to explore a range of mechanisms to support activation in the community.

¹⁵ www.project1225.co.nz

¹⁶ Southland CBD Rejuvenation Community and Business Survey Report, March 2023, p9

COUNCIL OPERATIONS	Likelihood	Consequence	Council response
<p>Water Reform¹⁷ 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 plan. This will result in a structural change for Council in relation to the ownership of assets and associated debt capacity. The services will continue to be delivered, but these will be provided by another party. This will include increased regulatory requirements as required by the new regulatory authority.</p>	Uncertain	Major	The impact to Council operations is major but moderate for the city, as services will be maintained in any scenario. The Long-term Plan includes two years of three waters activity. Any policy change would require inclusion of the remainder of the programme and likely rescheduling and forecasting, with potential associated impact on consent renewals.
<p>Legislative changes 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 in the first three years of the plan.</p>	Likely	Minor/ Moderate	Management will continue to engage with Central Government to ensure levels of service are maintained or improved and plan for changes in services in response to policy and regulation changes as they arise.
<p>Consents Council will continue to carry out legislation-directed ordinary functions while factoring in an increase to required quality for consent conditions.</p>	Likely	Minor/ Moderate	Consent processes at Bluff and Clifton Water Treatment Plants have commenced, although under an increased level of uncertainty as a result of the reform programme. Any impact on the consent process as a result of this uncertainty would be significant.

¹⁷ www.waterservicesreform.govt.nz/how-do-these-changes-affect-me/councils/ (retrieved 15/09/23)

<p>The Funding Assistance Rate (as advised from Waka Kotahi) NZTA will continue at 51% funding assistance until 2026/27. It is assumed that it will then remain at 51% for the life of the plan.</p>	<p>Likely</p>	<p>Moderate</p>	<p>Significant changes would have an impact on Council’s ability to maintain levels of service and may require changes to budgets. Council continues to work closely in partnership with Waka Kotahi to manage this risk.</p>
<p>Asset life Assets will remain useful until the end of their average useful life, noting this requires underlying assumptions regarding asset condition to be correct.</p> <p>Infrastructure installed in the 1920s is nearing end of life and require renewal within the term of the Infrastructure Strategy.</p>	<p>Moderate/Likely</p>	<p>Moderate</p>	<p>Assets may need to be renewed earlier if this underlying assumption is incorrect. This may also change the renewal profile or may allow delayed renewal in other cases. Council will review the remaining asset life at each of the triennial asset revaluations and undertaken regular asset condition assessments.</p>
<p>Infrastructure network development It is anticipated that a 1% extension of the network (roading, three waters) will be required to service forecast growth needs of business and/or residential property. Locations are not yet known so more accurate forecasts are not possible.</p>	<p>Uncertain</p>	<p>Moderate</p>	<p>Invercargill has not operated under a growth assumption in the immediate past as the network was constructed to support a higher level of population. However, new potential industries are expected, if they eventuate, they are likely to create significant new demands on the network. As a result Council is planning for this uncertainty by allowing for growth.</p>
<p>Capital programme delivery 100% of roadmap and strategic projects are expected to be delivered. 80% of the core capital programme will be delivered in Year 1 and 2 and 90% thereafter, following implementation of the Affordable Water Reforms.</p>	<p>Possible</p>	<p>Moderate</p>	<p>Council continues to invest in enhanced project management capacity and supporting construction sector capacity through new ways of working. The financials will be reforecast to reflect the delivery expectations each year.</p>

<p>Investment Property Investment Property Assets are valued on a yearly basis. They are expected to increase in value in line with inflation. This is reflected in our Financial Strategy, and Accounting policies.</p>	<p>Likely</p>	<p>Low</p>	<p>Variations in valuations have no cash flow implications for Council. Council will continue to value Investment Property and forestry assets on an annual basis.</p>
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FINANCIAL	Likelihood	Consequence	Council Response
<p>Inflation Operational forecasts and capital work programmes will increase by the accumulated Local Government Cost Index inflation forecast by BERL.</p>	Likely	Moderate	<p>Cost change factors are based on information developed for councils by BERL. Significant variations to inflation would have an impact on Council’s financial management. The significant changes in recent years in relation to inflation mean that level of uncertainty has increased as to whether increased fluctuations in the BERL cost estimates can be expected. Council will continue on the planned pathway for the Capital Works programme and review operational revenue and expenditure each year.</p>
<p>Asset revaluation Asset values will increase by the accumulated Local Government Cost Index inflation forecast by BERL on the last valuation value. Revaluation occurs in 2024/25 and every third year thereafter.</p>	Likely	Moderate/ Major	<p>Changes in valuation (cost price) or life of Council assets 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 after each revaluation cycle.</p>
<p>Interest rates - Borrowing Expected interest rates on borrowing will be 4.0%</p>	Moderate/Likely	Moderate	<p>A significant change in interest rates and the cost of borrowing would have a significant impact on Council budgets. Changes to services or the Financial Strategy would need to be considered.</p>

<p>Interest rates - Cash and Deposits Return on cash and term deposits are forecasted to be 1.5% lower than borrowing rates.</p>	<p>Likely/ Almost Certain</p>	<p>Minor</p>	<p>Term deposit rates currently vary between providers but most providers have a discount on rates from their prime lending rates.</p>
<p>Dividends from ICHL Dividends will be minimum \$5.2 million.</p>	<p>Possible</p>	<p>Minor/ Moderate</p>	<p>There would be a negative impact on Council's overall revenue and cash position if the dividend level was not maintained, which would increase the burden on ratepayers. Council will consider strategic reliance on dividend noting increased levels of economic uncertainty and impact of Council future direction to ICHL regarding holding of non-financial strategic assets.</p>
<p>External Funding It is assumed Council will achieve the level of external funding as estimated.</p>	<p>Possible/ Moderate</p>	<p>Minor/Moderate</p>	<p>Council is expecting external funding from Central Government, community and private investment into a number of strategic projects. While not all funding may be achieved, the estimates are based on expert analysis and are expected to be at least partially fulfilled. Council expects to be in a position to meet any shortfall.</p>

STRATEGIC CAPITAL PROJECTS REPORT

To:	Finance and Projects Committee
Meeting Date:	Tuesday 17 October 2023
From:	Lee Butcher – Programme Director
Approved:	Erin Moogan - Group Manager - Infrastructure Services
Approved Date:	Wednesday 11 October 2023
Open Agenda:	Yes
Public Excluded Agenda:	No

Purpose

This report updates the Committee on the status of Strategic Projects delivered by the Project Management Office (PMO).

Recommendations

That the Finance and Projects Committee:

1. Receives the report "Strategic Capital Projects Report".
2. Receives the 'ICC PMO Programme Dashboard' attached.
3. Notes the current status of the projects, including project risk assessment.

Background

The PMO carry out oversight and management of eight strategic projects. Through the PMO, Invercargill City Council (ICC) develops tools and internal staff to manage and deliver projects directly and support better internal processes.

The PMO provides a snapshot of progress, risk, and commentary on the programme through the ICC PMO Programme Dashboard presented to the Finance and Projects Committee bi-monthly.

Programme Summary

Overall, the programme is tracking well, we are very conscious of the cost pressures and are keeping a close eye as a number of our recent tenders close. Some small signs of change can be seen, but not to the extent that we can lower our guard.

It is steady as we go, we are pleased with how the teams and contractors recently worked through and responded to the weather event, which has had a limited impact on the programme due to some clever thinking and common sense being applied.

There is no let up for the team as we head to Christmas, we are recruiting for more resources, and this will help us build on capacity and share the load across the team as new projects come online, and other projects emerge.

We are currently unpacking the CCTV project and will progress this as soon as possible before Christmas.

Forecasting Information



Forecasting is looking good, slightly down from the last report but this is well within a 10% window.

As the ICC finance and BEP system come online the PMO will look to leverage these to better forecast and track month to month.

We have appointed one of the PMO coordinators to champion “forecasting”; and they are working with all project managers to get regular updates and figures, this has worked well over the last six months as it keeps the team focused on improvements in their reporting.

Elected Member Updates

The communications team and PMO have realised the second edition of the elected member updates, and are very keen to get feedback and look to build on these moving forward.

Attachments

Attachment 1 – October Strategic Projects Dashboard (A4893726).

ICC PMO Programme Dashboard (Roadmap To Renewal LTP July 2021 - June 2031)								
Report to 30 September 2023			Programme Sponsor: Erin Moogan			Programme Lead: Lee Butcher		
Project Budget	Spend to date			PMO forecasting - Risk - ETC - tracking				
Project	Budget (inc Cont.)	Actuals (from Tech One)	Remaining	Estimate to Complete (ETC)	Contingency (remaining)	Variation - Budget vs ETC	RAG	Comments
Branxholme Water Main - (100349)	\$ 25,348,575	\$ 13,406,973	\$ 11,941,602	\$ 25,348,575	2,163,104 (1,760,000)	\$ -		Stage 2 of the pipe install has started well. The recent weather event has caused a small delay, but teams are working hard to make up the lost time.
Rugby Park - (100305)	\$ 4,900,000	\$ 322,912	\$ 4,577,088	\$ 4,900,000	150,000 (150,000)	\$ -		A number of workshops have been undertaken with a focus on the roof, the "Above" roof solution has some engineering issues that are challenging to overcome. The team are now looking at a more intrusive but complete solution; this is likely going to require to be dismantled section by section and rebuilt to a much better design and engineering solution. While this will be the most costly option the suppliers will be able to offer a robust warranty to Council and guarantee the solution over a long period. Internally things are tracking well and we are meeting with the main stakeholders at the conclusion of the season.
CAB Refurbishment - (100315)	\$ 16,000,000	\$ 606,589	\$ 15,393,411	\$ 16,000,000	1,600,000 (1,600,000)	\$ -		The team are currently looking at new build options and critical maintenance works to keep the current accommodation function at a suitable level. The PMO will be taking stakeholders through a range of workshops to flush out needs and common problems.
P1225 - Museum (100551)	\$ 60,509,682	\$ 1,794,741	\$ 58,714,941	\$ 60,509,682	6,451,147 (6,220,898)	-\$ 0		Progress has been steady with the project team undertaking internal workshops with staff; the design team are now well into the next design stage and on track for the workshop in November and sign-off in December. The tender has progressed for the main contractor and demolition company.
P1225 - Storage (100689)	\$ 10,260,000	\$ 7,616,800	\$ 2,643,200	\$ 10,260,000	1,062,550 (144,048)	\$ -		The racking removal from the Museum will start on time. Our contractor, landscaping and carpark works were slightly affected by the weather event, but again, our teams are working hard to make up the lost time and limit the effects of the rain.
P1225 - Tuatara (100715)	\$ 500,000	\$ 79,850	\$ 420,150	\$ 500,000	55,000 (55,000)	\$ -		The main build tender is due to close this month; communications and media updates are due this month.
Bluff Boat Ramp - (100335)	\$ 1,800,000	\$ 497,613	\$ 1,302,387	\$ 1,800,000	270,000 (252,655)	\$ -		Further delay in receiving the final resource consent sign-off hampers the work programme; piling contractors are now on hold pending sign-off. Tenders are now also in for the shoreside civil package and pontoon manufacture.
Housing Innovation - (100653)	\$ 2,145,000	\$ 611,206	\$ 1,533,794	\$ 2,145,000	225,352 (225,352)	\$ -		Progress is good; we did stand the site down over the flooding period and sent resources to the storage project for worker safety.
CCTV - (100698)	\$ 1,000,000	\$ 51,136	\$ 948,864	\$ 968,725	0 (0)	\$ 31,275		The project is in the concept stage, and stage 1 scope needs some work; we are tackling design and procurement at this stage and expect to deliver the first stage within the current financial year.
Programme Total	\$ 122,463,257	\$ 24,987,820	\$ 97,475,437	\$ 122,431,982		\$ 31,275		





ICC PMO Programme Dashboard: Risks (Overview)											
Report to 30 September 2023			Programme Sponsor: Erin Moogan					Programme Lead: Lee Butcher			
PROGRAMME STATUS											
PROGRAMME HEALTH STATUS (1 = GREEN (OK), 2 = AMBER (ON WATCH), 3 = RED (ESCALATE))											
ID	ITEM	Brankholme	Ruby Park STC 113	P1225 Museum	P1225 Storage	P1225 Tukatara	CAB Re/urb	Bluff Boat Ramp	Housing Innovation	CCTV	DESCRIPTION
1	Schedule	Green	Green	Green	Amber	Green	Green	Amber	Green	Red	<p>Storage - The weather event (flooding) has caused some delay in surfacing and landscaping; at present, we do not see this affecting the handover process (December 2023)</p> <p>Bluff Boat Ramp - The Delay in getting the final resource sign-off has pushed the programme. We are doing all we can to proceed, but no work in water can take place without sign-off. The Tenders are now all in for the packages we put out; a number of suppliers have noted longer fabrication times than we had planned for (up to 10 weeks); this is under review.</p> <p>CCTV - The initial programme has been reviewed, and we have picked up a number of gaps and assumptions that need investigating.</p>
2	Financials	Green	Amber	Green	Green	Green	Green	Amber	Green	Red	<p>Rugby Park - We have had another few roof workshops and have added a roofing expert to the team to help with methodology and works planning. At present, it is likely that much of the roof steel will need to be adjusted and the final layer replaced; this is a big change in the scope of work and will be brought back to the council as a separate item so as not to disrupt the other works planned for the main stand.</p> <p>CAB - Progressing with new building feasibility size and location options.</p> <p>Bluff boat ramp - Tenders have now come in and we are assessing the delivery and cost impacts.</p> <p>CCTV - The current budget will service stage 1 and not all 3 stages as first presented to the council, the biggest spend will likely be stage 1 and other stages will be smaller commitments over the years.</p>
3	Scope	Green	Amber	Green	Green	Green	Green	Green	Green	Amber	<p>Rugby Park - The roof is the primary concern due to water ingress and poor flashing detail around steel beams. Other scoping works going well.</p> <p>CAB - Feasibility workshops will be needed, these are being planned at present.</p> <p>CCTV - The scope of the project is still quite broad and it needs defining and full commitment from key stakeholders.</p>
4	Resources	Green	Green	Green	Amber	Green	Green	Green	Green	Amber	<p>Storage - The stage 2 plan for the collection is critical for sign-off and review; this plan is now due.</p> <p>CCTV - The PMO have now taken the project on to review; we do not have resources at present, but we are in a recruitment phase and looking to manage the discovery phase as is and handover once a new person is on staff.</p>
5	Dependencies	Green	Green	Green	Green	Green	Green	Green	Green	Amber	<p>CCTV - Network capability and infrastructure are less advanced than physical camera planning; this is out of sequence and is a risk.</p>
6	Quality	Green	Green	Green	Green	Green	Green	Green	Green	Green	
7	Stakeholder	Green	Green	Green	Green	Green	Green	Green	Green	Green	
8	Benefits	Green	Green	Green	Green	Green	Green	Green	Green	Amber	<p>CCTV - it needs to be clarified what the KPIs and benefits are for the project; there are competing views and, with that, competing scope and budget issues.</p>
9	Health & Safety	Green	Green	Green	Green	Green	Green	Green	Green	Green	
Overall		Green	Amber	Green	Amber	Green	Green	Amber	Green	Red	<p>Overall, the programme is tracking okay; we still see mixed results from tenders and our interactions with suppliers, project managers, consultants and construction delivery. There is a shift in supply and demand, but this is slow to materialise in the pricing; we are seeing a greater interest in ICC work and suppliers wanting information. Local suppliers will see more and more competition into 2024 as the large projects settle down and other organisations slow down their delivery programmes due to resources and cost pressures.</p>

A4893726

FINANCIAL UPDATE – OCTOBER 2023

To:	Finance and Projects
Meeting Date:	Tuesday 17 October 2023
From:	Jaimee Botting – Manager – Financial Planning Stephanie Roberts – Manager - Financial Services
Approved:	Patricia Christie – Group Manager Finance and Assurance
Approved Date:	Thursday 12 October 2023
Open Agenda:	Yes
Public Excluded Agenda:	No

Purpose and Summary

The purpose of this report is to provide an update on the Council's financial position including:

- Net debt and Treasury update to 30 September 2023
- Level of debt owed to Council from rates and operations to September 2023

Recommendations

That the Finance and Project Committee:

1. Receives the report "Financial Update – October 2023".
2. Note the current state of Council finances.

Background

This report provides Council with an update on key financial issues and areas for Council including the regular reporting of net debt of Council (Borrowings and investments) and debt owed to Council (Debt Management).

Issues

Net debt and Treasury update

At 30 September 2023 the Council had borrowings and other debt of \$123 million and cash and cash investments of \$61 million. These generated a net debt balance of \$62 million.

The highlights of Council's net debt position as at 30 September 2023 are provided below.

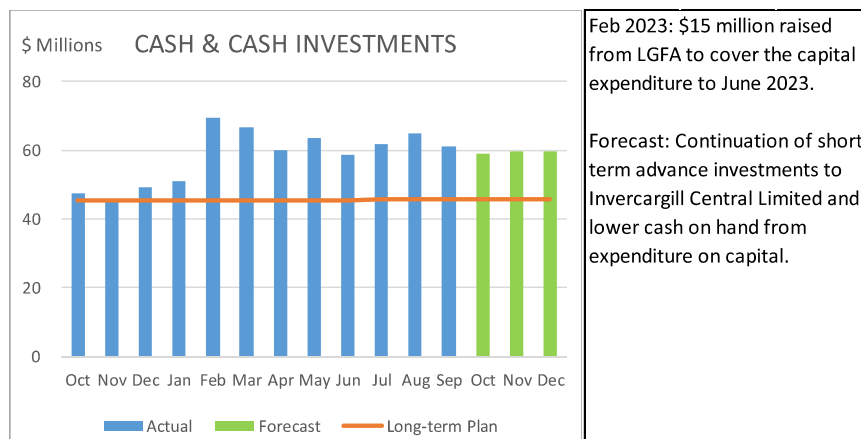
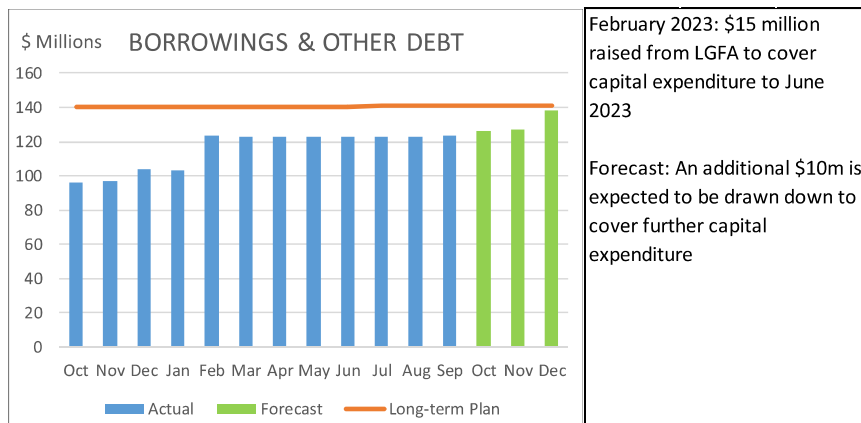
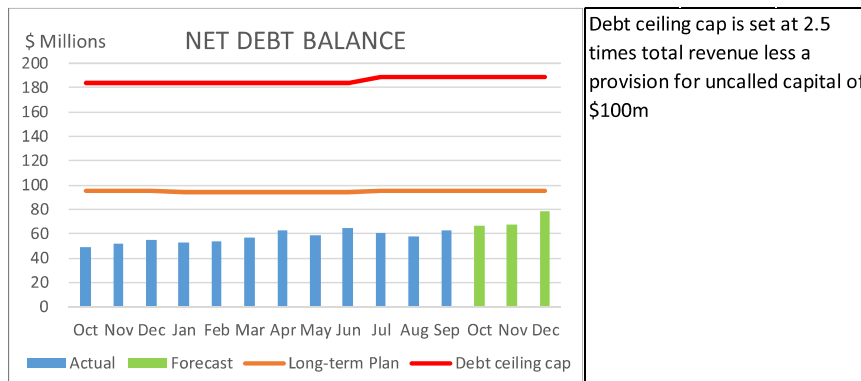
Invercargill Central Limited Loan

At 30 September 2023 the current balance of the loan is \$26.78 million. The maximum facility is \$31.45 million.

ICC TREASURY REPORT

As at 30 September 2023

Credit Rating	Net Debt Balance	<i>Borrowings & other debt</i>
AA+	\$62m	\$123m
		<i>LESS: Cash & Cash Investments</i>
		\$61m



Net Debt Breakdown

Borrowings & other debt				Note
Borrowings				
<u>Party</u>	<u>Maturity date</u>	<u>Interest rate</u>		
LGFA	Oct-23	5.82% Fixed	\$20,000,000	
LGFA	Oct-23	0.44% Fixed	\$5,000,000	
LGFA	Feb-24	5.65% Fixed	\$24,670,000	A
LGFA	Apr-24	6.15% Floating	\$10,000,000	
LGFA	Apr-25	1.49% Fixed	\$15,000,000	
LGFA	Oct-25	0.59% Fixed	\$8,500,000	
LGFA	Apr-26	1.09% Fixed	\$10,000,000	
LGFA	Apr-26	6.15% Floating	\$10,000,000	
LGFA	Apr-27	2.62% Fixed	\$10,000,000	
LGFA	May-28	4.06% Fixed	\$10,000,000	
Accrued interest payable			\$1,556,712	
			Total	\$124,726,712
Other debt				
LGFA Borrower Notes			(\$1,557,500)	
Environment Southland -Clean Air Scheme			\$200,000	
			Total	(\$1,357,500)
TOTAL BORROWINGS & OTHER DEBT				\$123,369,212
LESS: Cash & Cash Investments				
Cash and cash equivalents				\$14,658,499
Term Deposits				
<u>Party</u>	<u>Maturity date</u>	<u>Interest rate</u>		
WP	Oct-23	5.20%	\$5,258,081	
SBS	Jan-24	6.00%	\$124,980	
SBS	Jan-24	6.00%	\$4,208,877	
BNZ	Apr-24	6.15%	\$4,292,172	
SBS	Jul-24	6.50%	\$4,305,546	
Accrued interest receivable			\$451,845	
			Total	\$18,641,501
Other Investments				
Share investments			\$1,061,176	
Loan advances issued - Invercargill Central Limited			\$26,680,000	B
Loan advances issued - Other			\$49,180	
			Total	\$27,790,355
TOTAL CASH & CASH INVESTMENTS				\$61,090,355
NET DEBT BALANCE				\$62,278,857

A The loan of \$24.67 million has been used to fund the ICL advance investment.

B As of 30th of September, the outstanding loan balance advanced to ICC amounted to \$26.68 million. The current lending limit that ICC can extend to ICL is \$31.45 million.

Expense Analysis

The following is a snapshot of the financial performance for the two months to August 2023, providing detailed analysis of certain expense categories.

It is noted that these numbers are management numbers and have not gone through the full quarter end quality assurance process the Performance report goes through.

The Performance Report for the 3 months ended 30 September 2023 will be presented to the Finance and Projects Committee in December 2023.

Variance to Annual Plan

* YTD Annual Plan figures represent 2/12 of the full year Annual Plan (excluding dividend revenue which is expected to be received in February 2024).

	YTD Actual Aug-23	YTD Annual Plan* Aug-23	Variance YTD Actual vs YTD Annual Plan	Full Year Annual Plan 2024	Variance YTD Actual compared to Full Year Annual Plan
	(\$000)	(\$000)	(\$000)	(\$000)	%
REVENUE					
Rates and penalties	11,856	11,856	- 0	71,137	17%
Fines	400	79	+ 321	475	84%
Subsidies and grants	1,585	2,770	- 1,185	16,621	10%
Direct charges revenue	3,724	4,296	- 572	25,777	14%
Rental revenue	546	609	- 63	3,653	15%
Finance revenue	362	507	- 145	3,042	12%
Dividends revenue	0	0	-	5,303	0%
Total revenue	18,473	20,118	- 1,645	126,008	15%
EXPENSES					
Employee expenses	5,018	5,501	+ 483	33,005	15%
Depreciation and amortisation	6,904	6,944	+ 40	41,663	17%
Other expenses	8,893	9,231	+ 338	55,383	16%
Finance expenses	573	728	+ 155	4,368	13%
Total expenses	21,388	22,403	+ 1,015	134,419	16%
Net operating surplus (deficit)	(2,915)	(2,286)	- 629	(8,411)	

Notes

Subsidies and grants:	Subsidies and grants are tracking lower than plan due to timing differences on subsidies received from Waka Kotahi and external funders for Project 1225.
Direct charges revenue:	Direct charges revenue is tracking lower than plan with minimal water fee charges included as the next quarterly invoicing is in October.
Finance revenue:	Finance revenue is lower than plan due to interest earned on the ICL advance not due for invoicing until September 2023.
Employee expenses:	See employee expenses section
Depreciation and amortisation:	Depreciation is tracking in line with plan. The revaluation of roading assets in 2022/2023 was not available at time of preparation. This is likely to increase the depreciation expense for the year.
Other expenses:	See other expenses section

Finance expenses: Finance expenses are tracking lower than plan due to lower average interest rates on borrowings compared to plan assumptions.

Employee Expenses and Other Expenses Breakdown

Employee and Other Expenses are the two most significant expense categories for Council and a further breakdown and commentary is provided below.

Employee expenses

	YTD Actual Aug-23	YTD Annual Plan* Aug-23	Variance YTD Actual vs YTD Annual Plan	Full Year Annual Plan 2024	Variance YTD Actual compared to Full Year Annual Plan
	(\$000)	(\$000)	(\$000)	(\$000)	%
Employee expenses	5,018	5,501	- 483	33,005	15%
Salaries & wages	4,558	5,098	- 540	30,585	15%
Honoraria paid	120	145	- 25	869	14%
Misc Staff expenses	340	259	+ 82	1,551	22%
Total	5,018	5,501	- 483	33,005	15%

Notes

Salaries and Wages Lower than plan due to differences between projected staffing levels, movements and actuals.

Honoraria paid: Includes payments to Mayor, Councillors, Mana whenua reps and Bluff Community Board.

Misc Staff expenses: Includes training, travel and accommodation, recruitment and ACC levies. This is higher than plan principally as a result of higher recruitment costs. The driver of increased recruitment costs was the number of vacancies and use of specialist recruitment firms to secure candidates.

Other Expenses

	YTD Actual Aug-23	YTD Annual Plan* Aug-23	Variance YTD Actual vs YTD Annual Plan	Full Year Annual Plan 2024	Variance YTD Actual compared to Full Year Annual Plan
	(\$000)	(\$000)	(\$000)	(\$000)	%
Other expenses	8,893	9,231	- 338	55,383	16%
Administration expenses	467	763	- 296	4,575	10%
Consultancy expenses	729	619	+ 110	3,714	20%
Operational expenses	3,342	5,091	- 1,749	30,543	11%
Repairs & maintenance	723	1,024	- 301	6,141	12%
Grants & subsidies expenses	1,093	1,003	+ 91	6,015	18%
Utilities expenses	2,815	1,281	+ 1,535	7,683	37%
Internal job cost allocation	(276)	(548)	+ 272	(3,288)	8%
Total	8,893	9,231	- 338	55,383	16%

Notes

Administration expenses: Includes property rates, software licenses, postage and printing expenses. The current variance to plan are timing differences of software license renewals.

Consultancy expenses: Variance reflects the timing of use of consultancy services.

Operational expenses:	Includes operational contracts, Contractors, cleaning, fuel.
Repairs and maintenance:	Variance reflects the timing differences of planned maintenance planned during the year.
Grants and subsidies expenses:	Funds granted to external organisations are above YTD plan with a number of annual grants paid during the first two months of year.
Utilities expenses:	Insurance, electricity & rates expenses. Rates on ICC owned properties was paid in full in August.
Internal job cost allocation:	Recovery of internal staffing costs allocated to capital projects.

Debt Management

Sundry (Non-rates) Debt

At 30 September 2023 the non-rates debtors outstanding was under \$1.4 million and increase of \$0.67 million on 30 June. The increasing is a combination of the timing of invoices being processed and the invoicing of contributions to delivered capital projects.

The table below details the total Council debt and the age of the debt.

	As at 30 September 2023					As at 30 June 2023				
	1 Month	2 Months	3 Months	4 + Months	Total	1 Month	2 Months	3 Months	4 + Months	Total
Grand Total	883,686	77,389	57,457	417,861	1,436,393	257,761	72,216	27,363	435,995	793,336

Of the above balance \$0.2 million (\$0.2 million at 30 June 2023) relates to debtors with outstanding debts over \$5,000 and more than 2 months overdue. Details of these are provided in the public excluded paper.

Debt Write Off

For the 3 months to 30 September, we have written off \$8,819.56 in total, \$21.24 is related to Water Billing on 13 properties and \$254.80 is from 400 properties with very small rates balances outstanding. Debts are only written off following an extensive review of amounts which are two or more months overdue where it was not considered cost effective to be sent to our external debt collectors for debt recovery.

Rates Debtors

The table below summaries the current rates arrears balance. With the new rating year beginning on 1 July any unpaid rates for the 2022-23 are now shown as arrears.

	Rating Year					
	Period 1	Period 2	Period 3	Period 4	Period 5+	Total
Rates arrears per rating year	2022-2023	2021-2022	2020-2021	2019-2020	2018 & older	Total
As at Oct 2023	1,605,031	322,105	75,553	23,106	37,282	2,063,077
As at June 2023	2,378,364	418,819	97,435	24,235	38,100	2,956,953
As at April 2023	507,049	105,570	26,219	14,424	24,747	678,009
As at March 2023	603,591	120,899	34,960	15,361	26,046	800,857
As at January 2023	832,952	145,938	46,012	23,919	34,820	1,083,641
As at November 2022	1,055,366	161,968	49,391	24,387	35,232	1,326,343
As at August 2022	1,738,026	205,383	59,252	29,208	37,872	2,069,742
As at May 2022	0	361,845	79,793	37,308	39,606	518,552

94% (June 87%, April 92%) of Council's rates arrears by value are owed on 643 (June 897, April 222) properties with amounts greater than \$1,000 outstanding.

Council offers ratepayers who get behind in their rates the opportunity to enter into a payment plan arrangement. Those ratepayers who are in arrears with a payment plan are not charged rates penalties.

In those situations where there is no payment plan arranged (and followed), Council has a number of debt recovery methods available to it under the Rating Act. These include collection from the mortgage holder (where there is a mortgage) and court judgement. The final recovery method is a rating sale where Council obtains a court judgement to sell the property to recover the rates owed and the costs incurred.

Water Billing

Water billing relates to invoices raised quarterly to non-residential ratepayers who use more than a prescribed m³ of water. At present the threshold for charging is use above 249m³.

The total value of water bills overdue at October 2023 \$38,726, (July 2023 \$67,165, May \$9,080.68) relating to 107 (July 111, May 57) customers. The vast majority of these are for amounts under \$1,000, (\$23,242) 60% of the outstanding amount relates to 5 customers.

Dog Registrations

The total value of 2023 dog registrations unpaid at 1 October 2023 is \$39,998 relating to 415 dogs.

A full update on total arrears (including prior year registrations) will be provided at the next meeting.

We do note that the current legislation prevents us from offering instalment payments for dog registrations.

Sensitive Expenditure

In accordance with Council's Sensitive Expenditure policy the list of sensitive expenditure for the Mayor, Councillors, CEO and Executive Team is reported to the Finance and Projects Committee. The table below covers the period from May 2023 – September 2023.

Sensitive expenditure is broadly defined in the Sensitive Expenditure Policy and for the purpose of reporting sensitive expenditure is interpreted to include; travel, meals, training and hospitality for Mayor, Councillors, CEO and Executive Team.

Sensitive Expenditure Listing

Cost Centre	Period Expense Recorded	Transaction Amount	Who	Description	Supplier
Chief Executive Office	Jul-23	5,000.00	Michael Day	Sponsorship - Small Business of the year	Southland Chamber of Commerce
Councillors	Jun-23	677.35	Ria Bond	Accommodation - Queenstown RMA Training	Novotel & Hotel
Councillors	Jul-23	102.44	Mayor & Councillors	Beverages & Snacks	Plaza Supervalu
Councillors	Jul-23	294.78	Mayor & Councillors	Council workshops - Catering	R & R Trading 2
Councillors	Jul-23	33.02	Council workshops	Council workshops - Catering	R & R Trading 2
Councillors	Jul-23	136.95		Taxis - Mayoral Task Force Hui LGNZ Conference	Taxicharge New Zealand Limited
Councillors	Jul-23	38.08		Taxis - Mayoral Task Force Hui LGNZ Conference	Taxicharge New Zealand Limited
Councillors	Jul-23	36.25		Taxis - Mayoral Task Force Hui LGNZ Conference	Taxicharge New Zealand Limited
Councillors	Jul-23	71.13	Ria Bond	Taxis LGNZ Conference	Taxicharge New Zealand Limited
Councillors	Jul-23	72.49	Ria Bond	Taxis LGNZ Conference	Taxicharge New Zealand Limited
Councillors	Jul-23	378.26	Council Workshops	Council workshops - Catering	R & R Trading 2
Councillors	Jul-23	365.22	Council Workshops	Council workshops - Catering	R & R Trading 2
Councillors	Jul-23	410.00	Council Workshops	Council workshops - Catering	R & R Trading 2
Councillors	Jul-23	82.61	Council Workshops	Council workshops - Catering	R & R Trading 2
Councillors	Jul-23	42.44	Ria Bond	Taxis LGNZ Conference	Sundry EFT
Councillors	Aug-23	194.04	Council Meeting	Council meeting - Catering	Charlies Kitchen
Councillors	Sep-23	16.52	Ian Pottinger	Flight Change -LGNZ - Christchurch	Air New Zealand
Councillors	Sep-23	17.39	Ian Pottinger	Flight preferred seat	Air New Zealand
Mayor	May-23	144.00	Mayor	Accommodation LGNZ Sectors Together Combined Sector Meeting	Ibis and Novotel
Mayor	Jul-23	203.48	Mayoral Meetings	Mayoral Meetings - Catering	R & R Trading 2
Mayor	Aug-23	286.96	Mayor	2x Tickets for Southern Green Hydrogen Awards	Southland Chamber of Commerce
Mayor	Sep-23	476.17	Mayor	Flight Wellington 7 September Hydrogen Zero Summit	Air New Zealand

Next Steps

Collection activities will continue on outstanding debtors and rates arrears.

Attachments

Not applicable.

PROJECT UPDATE - CCTV ONBOARDING

To:	Finance and Projects
Meeting Date:	Tuesday 17 October 2023
From:	Lee Butcher – Programme Director
Approved:	Erin Moogan - Group Manager - Infrastructure
Approved Date:	Thursday 12 October 2023
Open Agenda:	Yes
Public Excluded Agenda:	No

Purpose and Summary

The Project Management Office (PMO) has been requested to review the position and status of the CCTV project and manage the delivery of stage 1 while developing stages 2 and 3. This report updates the Committee on the project.

Recommendations

That the Finance and Projects Committee:

1. Receives the report "Project Update - CCTV Onboarding".
2. Notes this report and considers the commentary in the PMO dashboard report.

Background

The PMO have reviewed the project documents taking special note of the February 2023 presentation to the Invercargill City Council. Staff also attended online meetings with the service provider and requested several supporting documents. In recent weeks, the PMO has come up to speed with the project, identified several improvements and provided direction and feedback to the supplier.

Issues

A snapshot of the issues has been provided in the PMO master report to the Finance and Projects Committee; this update should be read in conjunction with that report.

While the stages have been mapped out, there has been limited interrogation of the concept, which has led to significant assumptions being applied to reports and presentations. While camera type and location are well understood the network, viewing, storage and other dependant items are not so well defined and scoped. This has led to a gap in costing and again assumptions that other stakeholders will fund or commit capital to aspects of the project "without a formal agreement."

The PMO has flagged the project as RED due to several elements needing to be firmed up and commitments from stakeholders to be formalised.

Options/Next Steps

The PMO has set a roadmap to deliver stage 1, the supplier will continue to work on firming up the design with the PMO to confirm the scoping of all other elements.

Step 1	October 2023 – January 2024	Needs assessments (VMS – infrastructure – viewing – maintenance)
Step 2	January 2024 – March 2024	Procurement of works packages
Step 3	April 2024 – June 2024	Install – commission – go live

The PMO will look at resources and project load in April 2024 with regard to planning stages 2 and 3.

This expedited plan has some assumptions regarding contractor availability, equipment availability and the hosting requirements of the VMS being at the ICC building or Cloud-based. Finally, the police have room and capability to host the viewing facilities.

The PMO have medium confidence that the current budget can deliver this stage (1) of the \$948,000 remaining in the budget, \$800,000 is likely required to deliver stage 1

The PMO have only undertaken a quick assessment of stages 2 and 3; while the costing provided (February 2023) is acceptable regarding camera hardware, they lack all other physical, design and management costs.

Below is a table that gives insight into likely costings and should be considered a "rough guide" for future budgeting and allocations in subsequent fiscal planning.

This table only addresses the (CAPEX needs):

Budget	\$1,000,000	
Phase 1 (FY23 – current)	\$188,000	\$812,000
Phase 2 (FY24 – Next)	-\$410,000	\$598,000
Phase 3 (FY25 – Future)	-\$832,000	\$422,000
Contingency (17.5%)	-\$1,152,600	\$320,600

The PMO will explore the OPEX costs in detail with suppliers through the procurement process and advise the BAU unit as this information becomes available.

OPEX, we expect it will be staff time for the data storage and management, licencing, ICT requirements and maintenance of the system to be a percentage of the capital year on year; we have been advised that a range of \$250 per camera to \$375 per camera as a guide or 1% of capital (based on a 5-year view – with some replacements)

Year 1	Cameras - 65	\$24,375
Year 2	Cameras - 92	\$34,500
Year 3	Cameras - 116	\$43,500
Year 4	Cameras - 133	\$49,875
Year 5	Cameras – 133	\$49,875
Total + contingency 17.5%		\$202,125 + (\$35,372)
OPEX estimate (5 years)		\$237,497

Attachments

Not Applicable.