Strategies and policies

Ngā rautaki me ngā ture

PHOTO: GREAT SOUTH

Invercargill CITY COUNCIL

Strategies and policies

Ngā rautaki me ngā ture

The six key Strategy and Policy documents included within the 2024/2034 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: 2024-2054

He ara whakaoho: 2024-2054

Infrastructure provides a foundation for building strong and resilient communities. This Strategy sets out how Invercargill City Council will manage the city's roading, water supply, sewerage and stormwater infrastructure.

Following the change in Central Government policy, Council is planning to retain three waters operations, noting that in the future we plan to explore options such as providing services through a Council Controlled Organisation.

The Infrastructure Strategy should be read alongside Council's Financial Strategy which provides more detail on how Council will fund and manage the expenditure of its infrastructure programme.

At the time of drafting this document, it is unclear what the future of water provision will look like under the Government's Local Water Done Well policy. In response to this uncertainty, Council has taken an approach of business as usual, while also preparing for a potential transition to a new entity, for example a Council Controlled Organisation. In practice, this means that Council will continue to deliver three waters services according to our plans, and if new centralised entities are formed in the future, then they will inherit assets and a revenue base that has been maintained. Council is at a critical juncture in its 3 waters delivery space with its major waste water treatment infrastructure to be reconsented with associated upgrades during the next 10 years. It is also Council's intention to address the risk of the city being reliant on a single water supply with a secondary supply to be consented and delivered in the coming years. Ensuring we move ahead with these projects despite broader uncertainty in the three waters space is critical to ensuring good outcomes. The focus of Council throughout has been on kaitiakitanga and the benefit and wellbeing of the community.

About our infrastructure

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, and 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 (Waikiwi, Waihōpai, Ōtepuni, and Kingswell rivers). These, along with the Ōreti River all flow into the New River Estuary (the Waikiwi Stream flows to the Ōreti River).

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 and award winning 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 and is well connected to the state highways (1 & 6) which are maintained by Waka Kotahi. This ensures travel reliability for all road users. The streets are suitable for active transport and many have marked cycleways.

The pipe networks provide potable water supply, wastewater (sewerage) reticulation and stormwater reticulation. The piped networks are compact and generally contained within road reserves, and usually (though not exclusively) not located in residents' private property where access is more difficult. They are well structured and historically sized to provide for the city's requirements with reasonably short distances to and from treatment facilities. The majority of the system is serviced by gravity although a number of pumped mains transfer mostly sewerage towards the one wastewater treatment plant (at Clifton) for the Invercargill urban area. 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. Invercargill has only one source of water supply. Areas of Ōtātara do not have a potable supply and water is piped to supply the Bluff township.

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

What we deliver

Roading – The Roading Activity provides a safe, convenient and efficient transport system for all transport modes 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 multiple assets including treatment plants, reservoirs, pump stations plus a pipe network to supply potable water to residential, industrial and commercial properties, protect public health, provide 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 Ōtātara and Ōmaui. Treated effluent is discharged to Foveaux Strait at Bluff, to the New River Estuary at Invercargill, and to land at Ōmaui. Consents for the treatment plants at Bluff and Clifton expire in 2025 and 2029.

***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 Waikiwi Stream, Waihōpai River, Kingswell Creek, Clifton Channel, Ōtepuni Stream, the Ōreti River, the New River Estuary and Bluff Harbour. Council has a consent for discharge which expires in September 2032.

***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 Waihōpai Arm at Stead Street and Cobbe Road. These banks protect against the sea tidal movements and storm surge rather than river flooding.

*The majority of the city's three waters network, with the exception of the Water Tower, parts of the stormwater drainage network, and the tidal protection banks may be transferred to a new water entity as part of the reforms.

Core infrastructure

We own and manage $2.2b (replacement value as at June 2022) of core public infrastructure.

ROADING

$734m

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

SEWERAGE

$465m

Pipe network	368 km
Pump stations	32
Treatment plants	3

STORMWATER

$435m

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

WATER

$434m

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 2022, for more detail please see individual Asset Management Plans.

Council's vision

Our City with heart - Hē Ngākau Aroha

This infrastructure strategy supports the delivery of Council's vision by ensuring the city roading and water network appropriately serves the activities the community wants to undertake in the city centre and beyond.

It aligns with our mission – Waihōpai – To leave in good order – through supporting appropriate management of this infrastructure to ensure it meets the needs of the community now and into the future in a cost effective manner and meeting the future expectations of good guardianship. Council will work closely with Iwi, and recognises its responsibilities as these are strengthened as future maintenance and renewals are developed and delivered.

Looking ahead – Our strategic priorities

- Meeting the changing needs of our rangatahi as part of our wider population, which is growing older and more diverse.
- Delivering City Centre vibrancy through appropriate renewals and improvements.
- Enabling the housing, health, security, and social infrastructure our city needs to grow.
- Navigating increasingly complex environmental challenges including climate change, land contamination, and earthquake risks.
- Ensuring Community affordability in a time of economic volatility - with financial prudence and efficiency.
- Ensuring Council leadership and delivery is credible and effective, building community trust and engagement.

In addition, there are a number of specific infrastructure priorities:

- Allowing infrastructure growth where future land uses change and support other priorities.
- Maintaining our core infrastructure.
- Delivering Strategic Projects.
- Focusing investment on critical assets within the network.

No significant levels of service changes are planned beyond those projects that increase resilience for our existing network for example delivering a secondary water supply.

Infrastructure challenges

- Our city's networks have largely met the needs of the size of population over the last 30 years. As incremental growth and spatial changes occur, future expectations need to be deliverable which supports the wider community aspirations. In addition, there are potential increases to industry which, while the location and specific requirements are not known, mean that a small increase in network growth is expected.
  - Spatial land use change is likely to occur and the core infrastructure must be aligned to support those changes in a timely and effective manner.
  - There will be both Central Government and community requirements for this core infrastructure, and as the legislation changes so must the response (e.g. Sewer discharge consents, Environment Southland Regional Land and Water Plans (Stormwater discharges) Drinking Water Standards etc.).
- Our city's infrastructure is ageing and there will be affordability challenges for the community. We are approaching the potential peak for pipe renewals of infrastructure. Much of the original pipework was installed towards 100 years ago and the peak is reached in the next 10 – 20 years. These will have affordability challenges and Council must focus on criticality and value decision making.
- Stage 1 of the re-invigoration of the city centre has been completed. The benefits of future stages have been highlighted but the cost of these work stages within constraining budget environments will be challenging. Completion and connection of the work to date is required and timed with other City development and with required underground infrastructure renewals.
- Ongoing improvements in asset management will be required to have stronger business cases for investing the significant financial requirements set out in this strategy. Council will need systems which have reliable data to support informed business cases and approaches to ongoing improvements in asset management and delivery.
- An increasing frequency of high intensity rainfall events is seen as more likely. Localised flood events may occur more frequently. This will test the current and future infrastructure and the community's response to these events.
  - We need better and deeper understanding about the impacts of sea level rise, and what this will mean for the city's infrastructure. Council is working with Environment Southland and Te Āo Marama on this issue.
  - New design standards are likely to require larger pipes for new work but network restriction may occur due to near-new pipes which are now too small in capacity.
- Key projects like the Stead Street Stopbank upgrade have been completed reflecting a strong commitment to meeting future challenges. Central Government funding assistance may be key to some projects.
- We must continue to meet our legislative requirements through discharge consent for treatment plants and stormwater discharge conditions which will require ongoing improvements, future thinking and investment.
- Balancing the Local Government Act requirements for community affordability with the Resource Management Act requirements means there is still a high level of uncertainty in this space. As we proceed further through the long list, then shortlist options analysis for each project we achieve additional funding certainty in this space. For the large projects like Alternative Water and Clifton these figures will be addressed in more detail through the 2027 Long-term Plan.
- There are known areas where industrial and landfill contamination has occurred which is impacting waterways and networks. We are investing to understand more about these issues and develop appropriate responses.
- The need to reduce impacts on our community by making our roads safer will continue to be a focus. Council is supporting this with a range of additional investment in road safety infrastructure projects which will support the speed limit reduction changes already made.
- Contributing to longer-term climate sustainability and resilience will need more support for mode shift in transport use to occur, including vehicle use and types (including heavy industry). Greater Central Government direction will need to be included in future plans (e.g. vehicles, cycle paths, school travel plans, etc.).
- Preparing for increasing community requirements as parts of the community become more urbanised and the community responds to climate issues such that travel mode shift occurs. Communities may seek to have services not previously delivered.
- Working closely with the construction industry and planning delivery in a manner which is sustainable and deliverable. The industry needs to have capability to meet the programmes with sufficient suitably skilled staff.
- Council is proposing a significant increase in its infrastructure programme over the next ten years. Although we have endeavoured to budget for a programme that is deliverable, there is uncertainty over whether the construction industry will be able to meet demand in the coming years, particularly for Three Waters asset projects. If projects are delayed this could impact costs and levels of service. Council is investing in critical assets and reducing levels of investment in non critical assets in order to manage these issues of affordability and deliverability. This means that in the event of a failure in the network other work may need to be reprioratised. Council will be using criticality to support and guide planning and renewals of assets. This will highlight those assets which we will be replaced earlier than others to limit impacts on the networks operation. If an asset fails earlier than expected, the programme is sufficiently agile that work can be reprioritised and rescheduled again focusing on network level criticality. Given the age profile of the current assets there will always be longer periods of likely renewals which vary (as Invercargill had two significant growths in the 1950 and 70s) and this can be seen over the planned AMP period. As these pipes approach end of life, their assessment and prioritisation occurs and a smoother (and more achievable) renewal programme continues to be established.

Key Assumptions

Ngā whakaaro

POPULATION[1]				
ASSUMPTIONS	**LIKELIHOOD**	**CERTAINTY**	**CONSEQUENCE**	**COUNCIL RESPONSE**
Population growth As at 30 June 2023, the estimated population of Invercargill is approximately 57,900[2]. The population is projected to increase over the next ten years but growth will depend significantly whether or not various industries are developed as envisaged in the Beyond 2025 Regional Long-term Plan. By 2034 between 61,900 and 62,900 people will live here.	Likely	Medium	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.
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%.	Likely	High	Minor	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.

[1] Infometrics report "Southland Region forecasting scenarios for Beyond 2025 Southland", June 2023

[2] Stats NZ Tatauranga Aotearoa Infoshare data, retrieved 24 January 2024 (https://infoshare.stats.govt.nz/Default.aspx)

POPULATION[1]				
ASSUMPTIONS	LIKELIHOOD	CERTAINTY	CONSEQUENCE	COUNCIL RESPONSE
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, 900 (19%)).	Likely/ Almost Certain	High	Moderate	Demographic changes are clear and while future migration patterns may offset ageing to some extent, this is not expected to be of a high enough level to counter the known level of ageing. 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.
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.	Moderate/ Likely	Medium	Moderate/ Major	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.
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.[3 4]	Moderate/ Likely	Medium	Major	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.

SOCIAL				
ASSUMPTIONS	LIKELIHOOD	CERTAINTY	CONSEQUENCE	COUNCIL RESPONSE
Community resilience Tiwai Point Aluminium Smelter is expected to continue operating for the time of the Long-term Plan.	Likely	High	Moderate	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 future announcement of closure.
Community resilience Although the Zero Fees scheme has been extended through 2024 for Southern Institute of Technology | Te Pūkenga, it is uncertain 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.	Possible	Moderate	Minor	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.
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.[5]	Possible/Moderate	Medium	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.

[3] Infometrics report "Economic update for Long Term Planning for Invercargill City Council", April 2022, p11
[4] RBNZ "Household inflation expectations (H1)", August 2023
[5] Rationale report "Murihiku Southland Housing Needs Assessment", May 2023, p26

ECONOMIC				
ASSUMPTIONS	LIKELIHOOD	CERTAINTY	CONSEQUENCE	COUNCIL RESPONSE
Economy CPI Inflation will peak in June 2023 and stay above 3% until 2025/2026.[6] Employment is expected to weather any recessionary conditions fairly well but unemployment is expected to increase nationally.[7] A short term dip is forecast for the early years of the plan with stronger growth in professional and highly skilled occupations.[8]	Moderate/Likely	Medium	Moderate	Inflation increases would have significant impact on budgets. Council would need to consider changes to services and/or the financial strategy. If LGCI inflation was 0.5% higher than forecast this would increase Council operational costs by $0.5 – $1.6 million per annum for the first 3 years of the plan. Council capital costs would increase by $0.4 - $1.3 million per annum for the first 3 years of the plan. Increases in operational costs would impact the expected rates increase in those future years.
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.	Likely	High	Minor	Council will continue to liaise with other funding partners, including to monitor forecast security of investment, to assist control of this risk.

[6] Infometrics report "Economic update for Long Term Planning for Invercargill City Council", April 2022, p11
[7] Infometrics report "Southland Region forecasting scenarios for Beyond 2025 Southland", June 2023, p15
[8] Id. p15-18

ECONOMIC				
ASSUMPTIONS	**LIKELIHOOD**	**CERTAINTY**	**CONSEQUENCE**	**COUNCIL RESPONSE**
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.[9] 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.[10]	Possible	Low	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. The financial impact of this assumption is on the city's rating base, infrastructure network needs and the community's rates affordability. Changes in this assumption are not expected to be sharp shocks and as a result we will be able to flex annual plans and future LTPs to take account of these changes. At this point in time we do not expect this to have a significant effect on financial modelling for Years 1-3 of this Long-term Plan.
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 $14 million annually as a result of the investment until 2030.[11]	Likely	High	Moderate	Council remains strongly committed to its vision "Our City with Heart – Hē 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.

9 Beyond 2025 Southland Regional Long Term Plan, p20-21
10 Id. p20
11 NZIER report "Invercargill CBD regeneration", May 2023, p17

ECONOMIC				
ASSUMPTIONS	**LIKELIHOOD**	**CERTAINTY**	**CONSEQUENCE**	**COUNCIL RESPONSE**
Tourism Tourism in the Visit Southland area is expected to increase to between 160% - 165% of pre-Covid levels by 2029.[12] Invercargill is expected to proportionally benefit from this increase and demand for accommodation to increase and to be met from within existing stock.	Moderate/Likely	Medium	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 housing availability given housing constraints.
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.[13] 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.	Moderate/Likely	Medium	Minor	International students and their families create significant demand for certain categories of housing, including city centre housing. Lower numbers of international students will 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.
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.[14]	Likely	Medium	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] Beyond 2025 Southland Regional Long Term Plan, p56

[13] Infometrics report "Economic update for Long Term Planning for Invercargill City Council", April 2022, p18

[14] Ministry for the Environment "Implementing Aotearoa New Zealand's first emissions reduction and national adaptation plans", 2023

	ENVIRONMENTAL			
ASSUMPTIONS	**LIKELIHOOD**	**CERTAINTY**	**CONSEQUENCE**	**COUNCIL RESPONSE**
Mean annual and extreme temperature (days where temp. exceeds $25^{\circ C}$) are expected to increase with time: By 2040: mean annual temperature increase of $0.5\text{-}1.0^{\circ C}$ with 0-10 more hot days per annum. By 2090: mean annual temperature increase of $0.7\text{-}3.0^{\circ C}$, with 5-55 more hot days per annum.	Moderate	Low	Minor	Temperature increase while important has an indirect impact on Council operations, which are expected to be accommodated within Council plans. It is not possible to forecast the impact of climate change in more detail on the capital programme until more accurate data and modelling is complete.
Annual rainfall is expected to increase By 2040: +0-10% By 2090: +5-20% Increased frequency of high rainfall days, i.e. increase in intensity of rainfall.	Moderate	Low	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. The Branxholme Water Treatment Plant is designed to cope with rainfall events to the level forecast in the 2018 NIWA study and outlined in our assumptions. There will be no impact on quality but there will be a reduction in flow. Supply will be maintained but with possible water restrictions. Dependent on the Affordable Water Reform and Council's ongoing areas of responsibility, adjustment may need to be made the renewal programme. It is not possible to forecast the impact of climate change in more detail on the capital programme until more accurate data and modelling is complete.

ENVIRONMENTAL				
ASSUMPTIONS	**LIKELIHOOD**	**CERTAINTY**	**CONSEQUENCE**	**COUNCIL RESPONSE**
Mean sea level is expected to rise By 2040: 0.2-0.3m By 2090: 0.4-0.9m	Uncertain	Low	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. It is not possible to forecast the impact of climate change in more detail on the capital programme until more accurate data and modelling is complete.
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. [15]	Possible	Medium	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.
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.	Likely	High	Moderate	There is potential significant investment required for contamination management. The scale of this work is as yet unknown.

CULTURAL				
ASSUMPTIONS	LIKELIHOOD	CERTAINTY	CONSEQUENCE	COUNCIL RESPONSE
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.	Likely/ Almost certain	High	Low	Council is working closely in partnership with Mana whenua and would seek to manage impacts through this relationship.
Project 1225 Te Unua Museum of Southland will be built by December 2025, and open to the public in the second half of 2026. [16]	Almost certain	High	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 its Project Management Office.
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)[17] and will continue to increase as new projects including Project 1225 are completed.	Likely/ Almost certain	High	Minor	Council sees both City Block and Project 1225 as major cornerstone projects to achieving of its vision – Our City with Heart – He Ngākau Aroha. The social and economic benefits are already being realised. Continued commitment to the strategy will be required for full delivery.
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.	Likely	High	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.

[16] www.project1225.co.nz
[17] Southland CBD Rejuvenation Community and Business Survey Report, March 2023, p9

COUNCIL OPERATIONS				
ASSUMPTIONS	LIKELIHOOD	CERTAINTY	CONSEQUENCE	COUNCIL RESPONSE
Water Reform[18] At present it is assumed that Council will retain three waters for the short term but that in the medium term a new structure such as a CCO is likely. 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. There are a number of risks which may remain: ▪ Some services which are a priority to the community (e.g. alternative water supply) may not be a priority to the new entity. ▪ Some assets which have multiple purposes and value to the community may be better held by Council – e.g. Water Tower ▪ Loss of key staff through the transition may result in loss of local knowledge and expertise ▪ Impact on Council budgets through loss of water revenue and transfer of debt which may not be appropriately met through the transfer.	Likely	Medium	Major	Depending on the future structure the impact to Council operations is major but moderate for the city, as services will be maintained in any scenario. Water items are included within the Infrastructure Strategy.

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

COUNCIL OPERATIONS				
ASSUMPTIONS	LIKELIHOOD	CERTAINTY	CONSEQUENCE	COUNCIL RESPONSE
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.	Likely	Medium	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.
Consents Council will continue to carry out legislation-directed ordinary functions while factoring in an increase to required quality for consent conditions.	Likely	High	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.

COUNCIL OPERATIONS				
ASSUMPTIONS	LIKELIHOOD	CERTAINTY	CONSEQUENCE	COUNCIL RESPONSE
The Funding Assistance Rate (as advised from Waka Kotahi) NZTA will continue at 51% funding assistance until 2026/2027. It is assumed that it will then remain at 51% for the life of the Plan.	Likely	Low	Moderate	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. If the FAR (Funding Assistance Rate) rate decreased by 1%, there would be reduction of subsidy revenue of $0.2 - $0.3 million per annum If the funding was replaced with rates revenue, an additional 0.30% rates increase would be required each year. If the funding was replaced with borrowings, an additional 0.02% rates increase would be required each year to pay for interest and repayments and borrowings would increase by $0.2 - $0.3 million per annum. Capital and operational programmes would need to be reviewed if funding was not available.
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. Infrastructure installed in the 1920s is nearing end of life and require renewal within the term of the Infrastructure Strategy.	Moderate/Likely	High	Moderate	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.

	COUNCIL OPERATIONS			
ASSUMPTIONS	**LIKELIHOOD**	**CERTAINTY**	**CONSEQUENCE**	**COUNCIL RESPONSE**
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.	Uncertain	Low	Moderate	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. The additional cost would be met via contractual financial contributions, reprioritisation of the capital programme and if necessary an increase in the budget provided for the capital programme. At present our capital programme is on average $84 million per annum. We expect that this may increase the capital programme by approximately 5% per annum.
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, 85% in Year 3, and 90% thereafter, following implementation of the Local Water Done Well Reforms. Pipe renewals are expected to be delivered at 70%.	Possible	Low	Moderate	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. The financial impact this assumption not being met is the deferral of capital expenditure until later years, higher risk of asset failure meaning assets will be sweated longer and repairs and maintenance will increase and emergency rather than planned replacement may become more frequent.

COUNCIL OPERATIONS				
ASSUMPTIONS	**LIKELIHOOD**	**CERTAINTY**	**CONSEQUENCE**	**COUNCIL RESPONSE**
Investment Property & Biological assets Investment Property & Biological 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.	Likely	High	Low	Variations in valuations have no cash flow implications for Council. Council will continue to value Investment Property and forestry assets on an annual basis.

FINANCIAL				
ASSUMPTIONS	**LIKELIHOOD**	**CERTAINTY**	**CONSEQUENCE**	**COUNCIL RESPONSE**
Rating base growth Rating base growth in line with population growth, household size changes and industry growth of 0.9%, rating base growth will be 0.5% for 2024/2025 and 2025/2026, 0.6% for 2026/2027, 0.7% for 2027/2028, 0.8% for 2028/2029 and 0.9% for 2029/2030 onwards	Likely	High	Moderate/Major	The Rating base forecast is fundamental to the forecast revenue Council expects. A lower than expected level of growth would require Council to adjust rates or expenditure through the Annual planning process.
Inflation Operational forecasts and capital work programmes will increase by the accumulated Local Government Cost Index inflation forecast by BERL, being 2.9% for operational and 3.0% for capital in 2024/2025. Staff cost inflation will be 3.5%. Insurance cost inflation will be 12%.	Likely	Medium	Moderate	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. If inflation was 0.5% higher than forecast this would increase Council operational costs by $0.5 – $1.6 million per annum for the first 3 years of the plan. Council capital costs would increase by $0.4 - $1.3 million per annum for the first 3 years of the Plan. Increases in operational costs would impact the expected rates increase in those future years.

ASSUMPTIONS	FINANCIAL			
	LIKELIHOOD	CERTAINTY	CONSEQUENCE	COUNCIL RESPONSE
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 2024/2025 and every third year thereafter.	Likely	Medium	Moderate/ Major	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. If revaluation values were 0.5% higher than forecast this would increase Council Property, plant and equipment revaluation gain / (loss) by $0.3 million in 2024/2025.
Depreciation funding on existing assets **Water** 95% in Year one increasing to 100% in Year two onwards **Sewerage, Stormwater and Property** 75% in Year one, increasing by 5% per annum **Roading** 80% every year	Likely	Medium	Moderate	Council will closely monitor asset condition data, critical and non-critical failure rates and capital delivery expenditure in order to ensure appropriate depreciation rates are funded at.

FINANCIAL				
ASSUMPTIONS	**LIKELIHOOD**	**CERTAINTY**	**CONSEQUENCE**	**COUNCIL RESPONSE**
Depreciation rates on planned asset acquisitions Buildings 2.4% Hard surfaces and appurtenance 6% Intangible assets 32.8% Investment property buildings 0% Library collections 16% Monuments and statues 0% Motor vehicles 29.3% Plants and equipment 23.5% Restricted buildings 0% Roads, bridges and footpaths 3.5% Stormwater systems 1.5% Wastewater Other Assets 1.4% Wastewater treatment plants 6.4% Water other assets 2.1% Water treatment plants 2%	Likely	High	Low	Regular reviews of appropriate rates incorporating asset life and value data are undertaken as part of the asset revaluation process.
Interest rates - Borrowing Expected interest rates on borrowing will be 4.25% in 2024/2025 and 4.5% thereafter	Moderate/Likely	Medium	Moderate	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. If interest rates was 0.5% higher than forecast this would increase Council finance expenses by $0.8 – 1.1 million per annum for the first 3 years of the Plan.
Interest rates - Cash and Deposits Return on cash and term deposits are forecasted to be 5.5% in 2024/2025, 5% in 2025/2026, 4.5% in 2026/2027, and 4% thereafter.	Likely/ Almost Certain	Medium	Minor	Term deposit rates currently vary between providers but most providers have a discount on rates from their prime lending rates. If interest rates were 0.5% higher than forecast this would increase Council finance revenue by $0.3 million per annum for each of the first 3 years of the Plan.

FINANCIAL				
ASSUMPTIONS	LIKELIHOOD	CERTAINTY	CONSEQUENCE	COUNCIL RESPONSE
Dividends from ICHL Dividends will be minimum $5.5 million, plus an additional $4 million special dividend for the ten years of the Long-term Plan, resulting in a combined dividend rate of $9.5 million.	Likely	Medium	Minor/ Moderate	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.
External Funding It is assumed Council will achieve the level of external funding as estimated.	Possible/ Moderate	Medium	Minor/Moderate	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.
Land Sale Revenue Revenue from the sale of land is forecast to amount to $2.1 million in 2024/2025, $1.4 million in 2025/2026, and $10.0 million in 2026/2027.	Possible/Moderate	Medium	Minor/Moderate	Some or all land may not be sold or may be sold for a lower value. Council expects to be in a position to meet any shortfall.

Our strategy to respond to infrastructure challenges

1. Maintain our current asset base

We will be responding to priorities and challenges in a strategic manner.

We will ensure growth is focused on social, financial and operational sustainability and aligns to Council's vision, particularly spatial changes. We will use a business case approach where appropriate to support decisions.

Our focus is on gaining an ongoing better understanding of network capability to ensure optimum network performance, improve levels of service to meet consent and legislative requirements, and utilise current network capacity to meet forecast growth needs.

It is important to better manage expansion in infrastructure so that it does not exceed that which is currently serviced (or outlined in the Asset Management Plans or District Plan). By managing future growth of services, long-term financial responsibility can be better managed. Invercargill has, through the district planning process, clearly set where planned growth is desirable. As spatial reviews occur to support the City growth, so must the infrastructure respond. Where expansion of infrastructure is acceptable, the initial cost of this infrastructure is expected to be met by the development to standards set by Council. Managing infrastructure expansion to align with these processes is appropriate.

2. Renew assets at the rate of asset consumption

We will renew assets at the rate of asset consumption as set out in the Financial Strategy.

This ensures the long-term sustainability of our asset portfolio and planning long term renewal programmes to minimise the impacts of past investment cycles. Council has long term programmes to continue to renew the roading and piped network at a rate equivalent to the consumption (i.e. fund depreciation at the rates set out in the Financial Strategy).

The Financial Strategy notes that it will not be possible to achieve a balanced budget right away, and that in light of the above considerations it is proposed that Council modify the current strategy, as follows:

Partially fund depreciation on all asset classes

- Water 95% in Year 1 increasing to 100% in Year 2 onwards.
- Sewerage, stormwater and property at 75% in Year 1, increasing by 5% per annum
- Roading 80% every year

Set the initial rates funded depreciation in the infrastructure network asset classes at a level which:

- At least covers the proposed renewal programme for that asset class in all years, and
- Increases incrementally so that by year 6 of this Long-term Plan depreciation is fully funded (with the exception of roading, which remains at 80% in all years due to NZTA/Waka Kotahi subsidy funding).

The assumption on asset value increase will be set with reference to the BERL inflation index for capital expenditure for assets.

Taking this approach to the Financial Strategy continues to reflect:

- Depreciation is still considered to be the best proxy for the use of our assets, and by rating on use we better allocate the cost to those ratepayers that actually use the assets.
- Staging the recovery of the significant asset increase reflects Council's commitment to rates affordability.
- Ensuring we get to a position where we have a balanced budget reflects our core commitment to financial prudency.

The asset teams have developed detailed renewal plans based on the criticality, asset condition, age, demand and other planned renewal requirements. Renewals are undertaken at the end of a long life (i.e. 80 to 100 years) so there is some flexibility as to when the most appropriate time is.

Some renewals are brought forward to align with projects. For instance, if road surfacing is occurring then piped asset renewals may be brought forward to ensure they are completed in advance.

Renewal programmes have periods where peak renewals may be needed however the programme has been reviewed and some smoothing of financial demand applied in order to support deliverability of funding and contracting capability. Contractors need to have a reasonable timeframe to resource up or down so consistency in work load is sensible to avoid peak pricing.

3. Focus on asset criticality

Our focus is on replacing critical assets before failure.

Non-critical assets will be allowed to operate to their expected lives and / or beyond, recognising that some limited failures in these assets may occur before renewal.

Given that Local Water Done Well Reforms are continuing to be discussed, and to reduce large and sudden increases in rates on the community, this strategy looks to balance the risks of failure of some elements of each system (e.g. water pipes). Pipes with a lower criticality rating may have their replacement delayed and be monitored. This strategy will enable a focused financial response in the short-term.

This approach has the potential to increase failure risks, but Council must have supporting financial mechanisms available should additional renewals be required to action these in a timely manner. These risks, both infrastructural and financial, require improvements to our asset management maturity to support their implementation.

Should unplanned failures occur, Council will use its financial "good health", accumulated reserves, and / or insurances (where appropriate) to manage these risks.

Council is undertaking a continuous programme to improve asset condition knowledge. This will be used to monitor and plan critical and non-critical work to ensure prioritisation is responsive. By delaying non-critical work, the programme needs to be managed to ensure smoothing of a potential bow wave of work which cannot be delayed further in the later years of the Infrastructure Strategy. The combined approach to building back depreciation funding, increased renewal spending in later years, supporting the development of the contractor market and maturing project management processes are intended to build to capacity to respond to increasing future workloads.

Any delays in delivery of the capital programme could result in increased maintenance costs. Replacement of failing assets will be managed through reprioritisation of the capital programme. The level of service will not be significantly impacted. Funding in later years is planned to increase to cover higher levels of renewals.

Any significant delays in capital expenditure will have the impact of improving our expected net debt position as less borrowing will be required, which will also impact our interest costs. There is still room to increase the debt ceiling further in future years to deal with any peaks in the capital works should debt be determined to be the best way to fund.

4. Plan and invest for resilience for critical assets

A high priority for Council is to protect the access for the city to quality drinking water in the event of extreme weather events (flooding and droughts), coastal inundation and natural disaster (e.g. earthquakes).

Council is working with the Regional Council and Te Āo Marama to develop a regional climate change strategy, including identifying the further data and modelling required to better understand and plan for climate adaptation. This work includes analysis of recently completed LIDAR data, river flood modelling, coastal inundation modelling, interaction of river and coastal models and asset condition data assessment. The Regional Council forecasts this work will take approximately 5-7 years based on current NIWA forecasts of national data availability.

The development of an alternative water supply and providing improved connectivity for redundancy for the current Branxholme water supply are two priority projects intended to reduce the risk to the community of an interruption in water supply.

Council must seek to renew its discharge consent and is planning for these renewals of the Wastewater discharge consents at Bluff and Clifton. Conditions of consent may require a change in the approach required, the technology used, and the methods of disposal. Significant additional investment is expected to be needed to meet community requirements.

5. Design pipe network renewals to accommodate understood impacts of climate change

Council's pipe network and tidal protection barriers are designed to meet the forecast impacts of climate change outlined in the 2018 NIWA study of climate change in Southland. Council is working with the Regional Council and Te Ao Mārama to better understand the impacts of climate change on our region to inform enhanced planning, and agreeing an appropriate level of protection for its future design.

New design standards can impact the cost of works and also the defectiveness of the network, as near new pipes laid in the last 10 to 20 years may be a limiting barrier for the network to carry the new stormwater loads.

Climate change has been noticeable in various forms for a number of years. There is no doubt that weather patterns have developed more extremities. The Southland Climate Change Report 2018 by NIWA forecasts more extreme weather events including both droughts and floods. 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. The frequency of flooding 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 peak water use, and that puts stress on the current single source of water. Pipe renewals are being installed on the basis of the forecasts provided by NIWA in line with Council's climate change assumptions.

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. Council is working with the Regional Council to identify the further modelling and analysis required to identify areas of risk following the recent completion of LIDAR flights. There remains significant modelling needed at a regional level to understand likely sea level rise 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.

It is expected that rising sea levels will have an impact on some Invercargill properties, especially those that are low lying and close to the sea. However, current assessments 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. Again, Council is aware of the need for further modelling and analysis on these issues.

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 individuals' property rights by taking pre-emptive action on existing properties while the current uncertainty remains. Such action could turn a future possible loss for a property owner into 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 that loss.

6. Focus on sound evidence-based and cost efficient activity investment decisions

We will use risk analysis, business cases and other advanced modelling techniques to develop robust and tested cases for investment rather than just the management of assets (e.g. age and condition).

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 is another way of supporting good asset decisions. Council uses a strategic assessment approach to determine the extent to which investments align with and deliver community outcomes.

We coordinate across the infrastructure team to support efficient cost effective delivery.

7. Better understand and meet our community's needs, through consultation and delivery of agreed levels of service

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 strengthening its engagement strategy to assist in developing a better understanding of community views. There will be a particular focus on targeted engagement approaches for communities where needs have changed over time and a corresponding change in infrastructure is likely to be required.

8. Ensure a viable competitive supplier market exists and is maintained in the region

Council is aware that the extent of work that is planned for asset renewal and new projects could place significant resource pressure on the construction industry, and impact its ability and / or its capacity to deliver projects within the time and cost budgets allocated.

Advance communication and regular dialogue with contractors will set the initial expectations such that long-term planning and a robust and successful delivery market can be sustained.

Council will contract in an appropriate manner such that the industry has confidence in us, and Council is seen as a partner of choice.

9. Strengthen asset management processes, tools, data and expertise

Council has recognised that strengthening its asset management processes will produce more robust long-term outcomes. 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 to strengthen internal knowledge and expertise.

Having a strong platform for delivering asset management will allow robust plans to be developed and then delivered. Ongoing investment in and upskilling of asset managers and their support teams is needed with a goal to continually improve asset management knowledge within the organisation. The long-term understanding (in its widest context) of when the best outcome can be achieved by 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 and understood, and that through the business case process appropriate investment decisions are being made.

Council needs to ensure that its Asset Management Strategy and Policy defines how it wants to positions its skills. Ongoing investment in the quality of our asset data and better understanding of how the assets need to be managed is required.

10. Deliverability

The programme planned by this strategy is recognised as a large deliverable package for Council and its resources. Detailed forward planning will be required to ensure that suitable and adequate resources are available. This is equally applicable to both internal and external services where the industry must also match ability to do work aligned to the programme. An undersupply in either market will have impacts on timing or on cost.

Council will look to have skills for various scaled projects either through its teams, its Project Management Office and or through the use of experienced outside businesses. It will be crucial to establish suitable governance and approval processes to ensure that barriers are not created which would slow projects. The use of advanced procurement techniques can be developed to ensure that larger projects are successful and timely.

It is noted that we would assume that in the early years of the Plan, the deliverability assumption for renewals is 80% for the first year, and increasing to 90% by the third year and remain at this level each year after (three waters pipe renewals remains at 70%). This will provide a stronger signal to the industry that is able to gear up and then potentially recover any under-development. This strategy also recognises that many of the local authorities will have larger programmes and a regional approach to delivery, and some consolidation of deliverability principles may be required to ensure that these do not have negative impacts on the industry and cost of works.

The Financial Strategy looks at the deliverability issue with respect to funding and also highlights similar challenges. It will be important to develop a capital programme that is able to be delivered both by Council staff and by the contracting market, while remaining within the constraints of the Financial Strategy. It is noted that this deliverability approach means that the renewals programme will take longer to deliver than would otherwise have been the case.

Our Significant Decisions over the next thirty years

The key decisions regarding provision of roading, three waters and tidal protection infrastructure over the next thirty years (noting that the Local Water Done Well Reforms may influence many of these) are summarised as follows.

The projects which will be included in the proposed Long-term Plan are noted whilst others will be for consideration in the following periods of 10 to 30 years. This Strategy is for 30 years and these are included to provide visibility of the more significant activities which have importance to the community but are currently not funded.

City Centre Streetscapes

Council will need to strengthen its City Centre Masterplan and use it to assist with future decision making. There will need to be a future strategic focus on where the City will develop and what, if any, further investment should be made in City streetscapes design in response to changing corporate investment (e.g. new hotels and office blocks) and changing community need.

Following the investment already made in the city centre, including on Esk and Don Streets, additional investment in city centre cleaning and maintenance will maintain the developed level of service.

Future options for the City Centre could include:

- No further improvements. Renewal of existing core infrastructure only. Ongoing maintenance, cleaning and repairs to streetscape. Additional operational expenditure of $100,000 per annum + inflation. This amounts to a total of $1.1 million during years one to ten of this strategy, and $4.2 million during years one to thirty.
- Implement Stage 2 of the original City Streets plan, involving improvements to Esk Street from the corner of Kelvin Street to outside the new SIT campus and to Kelvin Street from outside the Kelvin Hotel to the corner of Don Street. Additional $15.5 million capital investment. This includes $4.4 million capital for Esk Street West.

It is anticipated that a decision on future options for the City Centre will be made within the first five years of this strategy.

Roading Safety Improvements

Council continues to work on ways to improve road safety and reduce serious crashes and fatalities on the roads. In addition to education and enforcement approaches, which include support for Road Safety Southland and recent reductions in speed limits throughout the District, it will be necessary to make further investment in infrastructure.

Option 1
Focus only on initiatives which are included within the Long-term Plan:

- Additional investment in low risk low cost improvements to address areas such as intersection design, traffic lights, raised platforms – total of $7.6 million between 2024 – 2027 (aligned to Waka Kotahi funding planning cycle).
- Safety improvements to Local Area Traffic Management which include minor infrastructure changes to manage speed – total of $2.8 million between 2025 – 2030.
- Implementation of speed improvements in Council priority areas such as outside schools – total of $1.1 million over the first ten years of the Long-term Plan.

Option 2
In addition to the items above, further future improvements to improve road safety could include provision of higher quality pavements in areas such as Bluff (up to $100,000 capital per annum plus inflation. This amounts to a total of $1.0 million during years one to ten, and $4.1 million during years one to thirty), and the addition of pavements, street lights and ditch improvements in Ōtātara (total of $1.0 million spread over three years).

A decision on these items is expected by 2027/2028.

Stirling Point - Bluff

At the height of the tourism season, traffic congestion often occurs at Stirling Point with impacts on pedestrians, road safety and visitor experience. The topography is extremely challenging with no obvious solutions for changes in road layout or parking options. While there are risks to pedestrians as a result of congestion in the parking area, the risks presented are reduced as a result of the slow speeds in the area. Further investigation of options is required. These options are likely to include a park and ride scheme, purchase of private land, movement of the sign or other as yet unknown options.

Option 1
Scoping is required for a solution before a decision on the appropriate solution can be made - $213,000 is estimated. A decision on this investment is expected in 2026/2027.

Option 2
If travel patterns do not resume to pre-Covid levels it may be decided that no further action is needed.

Infrastructure to support modal shift active transport

Council has made significant investment in its cycling network, including the completion of the Bluff-Invercargill Cycleway.

Future considerations will need to be made regarding what the community needs are to support and promote active transport. This would likely include an integrated cycle network, more formed and separated paths, and provision of supporting infrastructure (such as stands, shed, repair station etc.) which encourage and support those who choose to change their mode of travel.

Option 1
Greenway cycleway connecting the existing estuary and stopbanks with cycleways around the north and west of the city with a South/East city greenway connection - $1.3 million capital investment.

Option 2
No additional investment in cycling tracks.

A decision is expected in 2027/2028.

Infrastructure for new subdivisions or industry

The Beyond 2025 Regional Long-term Plan has identified that under various high growth scenarios more housing may be needed for Invercargill. While the likelihood of the high growth scenarios is not high, Council may still need to consider the availability of core services to support any new development. The key issue is to understand the downstream impacts of any development through having a reliable, robust, and up to date data model. As Council looks to develop a future spatial plan, so will district planning need to change and support the direction agreed. This could include extension of some networks. Due to the unknown locations of proposed new industries and lack of specific requirements, a forecast for network growth of 1% has been included.

There is land identified for a planned subdivision of 600 houses in the South East of the city. A number of growth industries are identified within the Beyond 2025 Regional Long-term Plan, including green hydrogen, data centres and aquaculture. While none of these industries are expected to bring the same associated employment as Tiwai did, these new industries may require additional core infrastructure mostly within the Three Waters space.

Council would work to address changes which are required by legislative change to appropriately respond to and manage future growth.
It would be expected that costs would be met by the new industries or developers.

The Awarua Industrial Park is a location where future industry growth will be expected. Services to this area will be required and if larger volumes of water are required for those industries then additional services will be required. Council is also planning for providing its Alternative Water Supply, and this supply connected to both storage in the Skye Street area and supply mains will have sufficient capability to provide improved levels of service.

Some industries will, as part of the development, provide their own water supplies, depending on their need, lead times, quality required and costs. Council would see cost recovery either via water billing or other commercial agreements. Providing disposal options for wastewater is a more complex issue and Council has some core services at Awarua. Additional support mains would be required.

Dependent on industry demand Council is considering additional water capacity to Bluff over the term of the Infrastructure Strategy. A number of options exist which include new pipelines and/or boosting supply pressures to the existing line. Council plans to respond to these developments when their requirements become known. Recovery of some of the cost is likely.

Option 1
Increasing water capacity to Bluff would cost an estimated $32.3 million.

A decision on this is not expected before 2035.

Option 2
No extension of services if anticipated demand does not eventuate. No required investment.

Alternative discharge solutions for Bluff and Clifton Wastewater Treatment Plants.

In common with the majority of the country, as community expectations about water treatment and discharge change, it is likely that the way Invercargill District discharges are managed will also need to change.

Bluff Options

Options which will need to be worked with partners and stakeholders may include:

- Short outfall to Foveaux Strait
  This is the current consented option.
- Long outfall to Foveaux Strait
  This options would include a longer pipe outfall into the sea at a similar location to present and this has more significant construction challenges.
- Discharge to land
  There is no specific land identified, although the size of land required is approximately twice the size of the Bluff township. Appropriate soil type and grade would need to be identified at some point around Greenhill's/Awarua area. Land can then only be used for baleage. Prime agricultural land would need to be purchased for this activity.
- Pipe back to Clifton for discharge
  The effluent could be piped to the maturation ponds before discharge via the Clifton Consent. The additional pipes from Bluff would need to be within the State Highway corridor.

$7.7 million has been provided in the Long-term Plan for the consent of the Bluff Wastewater Treatment Plant. This has been allocated over the first three years of the Long-term Plan - $0.3 million 2024/2025, $0.4 million 2025/2026 and $7 million 2026/2027.

There is a high level of budget uncertainty for this project as we work through the Resource Management Act process for determining the Best Practicable Option. The options being considered range from an ocean outfall (current method) to various land contact or land treatment options. Initial cost estimates for these options range from $5 -$27 million. We have placed a figure in the Long-term plan towards the lower end of the range reflecting the current pressure on cost affordability within the community.

A decision is expected in 2025 for the Bluff treatment plant.

Clifton Options

Options which will need to be worked with partners and stakeholders may include:

- Effluent charged to estuary
  This is the current consented option.
- Long-sea outfall to sea
  This option is to install new pipes to pump treated effluent from Clifton via Ōreti Beach into sea where the flow patterns are optimal.
- Alternative uses for effluent
  There is an as yet unscoped potential future use for effluent to transfer it to third parties for use during industrial processes prior to discharge. Alternative uses could use up to two thirds of the volume currently produced at Clifton.
- Discharge to land
  This is an unscoped option and would require land of appropriate soil type and grade to be identified in a region where a new pipeline could be established. It would be likely to require significant prime agricultural land for discharge. There are likely to be significant cultural issues to identify appropriate land.

Provision of $103.7 million for Clifton ($0.1 million 2024/2025, $0.1 million 2025/2026, $0.5 million 2026/2027, $0.5 million 2027/2028, $28.2 million 2028/2029, $21.9 million 2029/2030, $20 million 2030/2031 and $32.4 million 2031/2032) is allowed for within the Long-term Plan. This project has a high level of budget uncertainty as we start working through the Resource Management Act process for determining a Best Practicable Option. Clifton has currently been assessed as having options ranging from $40 million to in excess of $200 million these could include improved treatment options and options with different levels of land based treatment. Until such time as the long and short list of options is agreed Council has placed a figure in the Long-term Plan at the lower end of the cost mid point. This reflects the current pressure on community affordability as well as the Government's indication that changes are likely in the Resource Management Act space to improve affordability. As this project is scheduled in the later years of the current plan any change in this figure will be addressed in the 2027 Long-term Plan. We have outlined our financing approach on page 231 if the project's cost is greater than what has been allowed in the Long-term Plan. Given the current regulatory process and length of time till the consent expires a decision on the preferred option is not expected until 2028-2029.

Resilience and redundancy in the three water networks

Water Supply

Council considers having a robust and resilient water supply and distribution as a key utility.

We have invested over a number of years in improving the connection from the Branxholme Water Treatment Plant to the city, in order to ensure greater resilience in the case of an earthquake, flood or drought.

Further investment has been made in identifying an alternative water source to the current source from the Ōreti River.

Options for consideration during the lifetime of the Plan are:

Pipeline between Waikiwi and Gala Street

The only remaining part of the Branxholme water pipeline project which still needs to be designed to provide for additional resilience is providing connection between the two main pumping sites (Waikiwi and Gala). This project is considered a renewal in nature as this pipeline is nearing the end of its operational life. The main is located in Queens Drive, which is a main road, and construction of this larger diameter pipe will have both cost and construction disruption issues. No alternative options have been considered for alignment but the methodology of renewal would include:

- New pipe in same location via excavation or via pipe burst existing - $11.8 million in 2030- 2032.
- Rehabilitation of existing pipe (relining) – estimated $10.0 million but technology has potential limitations.
- Resizing and slip replacement of pipe – estimated $10.0 million but has limitations in size and capacity and is not the preferred option.

$11.8 million planned in 2030-2032.

Alternative Water Supply

Council has been investigating a source at Awarua and has identified quality water. Further testing of volumes are still to be confirmed before commitment to development.

Additional storage capability (Skye Street), treatment options (dependent on the quality) and connecting back to the urban network (pipes) are all elements of the planned alternative water supply options. Options will be developed for consideration as each of these phases are worked through.

Option 1

$60.8 million is budgeted for the alternative water supply project ($0.5 million 2024/2025, $1 million 2026/2027, $1.1 million 2027/2028, $28.4 million 2028/2029 and $28.9 million 2029/2030).

Whilst the option of an alternative source at Awarua via aquifer is being investigated in depth a number of options for an alternative source are being considered for business casing including increasing reservoir capacity and alternate river sources, these have cost ranges of $53 -$155 million. A number of other options were also initially considered with cost estimates in excess of $500 million. The current budgeted figures reflects a reasonable level of confidence in the viability of the current Awarua supply option. It should be noted that while this project is in response to risk associated with a single water supply for the city there is no legislative mandate for a secondary source at this time. If the Awarua option is found to not be viable this project may be delayed whilst alternative options are explored in more depth or established as an emergency supply only, or may not proceed at all depending on how much the options cost.

The decision would be made in 2027.

Option 2

No alternative water supply and use restrictive measures to limit flows. An estimated $45.4 million will be required for reservoirs to improve storage.

The decision is expected in 2027.

Stormwater and Foul Sewer

The City has a number of pumped sewer mains which are considered as critical components of the network, and the asset plans look to have a level of redundancy available for those pipes to ensure the continuity of service and to mitigate risk.

The Sewerage Activity Management Plan looks to have developed options for both the Mersey and Lindisfarne mains as these transport approximately 43% of the city volumes. These will provide additional redundancy and would provide greater resilience in case of failures in the primary lines. These projects have been risk assessed against the corporate risk model and have a medium rating.

The options which will be considered are:

- Replace pipeline in current alignment (not practical due to pump cycle and as a result has not been costed).
- New pipeline in new alignment
  1. Mersey Street Wastewater main duplication - $21.7 million (2025 – 2028)
  2. Lindisfarne Wastewater rising main duplication - $5.8 million (2029-2031)
- Refurbish existing pipe – additional 25% expected cost.
  3. Mersey Street Wastewater main duplication - $27.1 million (2025 – 2027)
  4. Lindisfarne Wastewater rising main duplication - $7.3 million (2029-2031)

The decisions would be made in 2025 and 2027.

Water Meters

Council is looking to reduce loss of water by leakage by metering areas of its network. This may extend to universal metering of all properties to promote further reduction from onsite leakage. Additionally Council is considering the benefit that metering provides as a fairer more effective method of charging for water supplied.

Option 1
Installation of area zone water meters over 2025/2026 – 2028/2029 - $0.9 million.

Option 2
Proceed with Installation of universal water meters would take place in 2033/2034 - $9.9 million.

The decisions would be made in 2025 and 2029.

Suburb Improvements

There are three main suburban shopping areas within the District – Bluff, South City and Windsor. Over the life of the Infrastructure Strategy, Council will need to determine the appropriate timing for renewals of these areas. The primary decision is whether to delay renewals, accepting levels of service may be impacted.

In addition, Invercargill has a large semi-rural suburb which has been growing: Ōtātara. Council may consider over the life of the Plan the development of service level improvements for footpaths, streetlighting and ditch improvements in the Ōtātara area. These have been highlighted as an opportunity to consider in more depth as to the benefits which investment will bring. These have been considered for the Long-term Plan but are not included in the first ten years. These improvements would support a stronger mode shift for more walking and cycling to occur.

Option 1
Suburban refresh for Bluff (estimated $3.3 million), South City (estimated $3.0 million), and Windsor (estimated $2.9 million) shopping areas.

Decisions are expected between 2027-2032.

Option 2
Suburban refresh for Bluff, South City and additional Ōtātara improvements including:

- Construction of footpaths - $250,000 per annum plus inflation from 2024/2025 ongoing, amounting to a total of $2.8 million during years one to ten of this strategy, and $10.6 million in years one to thirty.
- Streetlighting - $250,000 per annum plus inflation from 2024/2025 to 2029/2030, amounting to $1.6 million.
- Ditch improvements - $300,000 per annum plus inflation from 2028/2029, for ten years. amounting to a total of $3.7 million.

The decisions are expected to be made in 2026/2027.

Decommissioning of the Water Tower

Council has identified the Water Tower as an important icon and heritage asset for the city and that, as such, it prefers to retain control of this asset after any transfer as part of the Local Water Done Well Reforms. At present the Water Tower remains a working part of the water network although it is not expected to be technically challenging to decommission it, and this will not affect the wider network. The outcome of this issue will depend on water reforms. The Water Tower will then need to be brought up to either 34% or 67% of the National Building Standard. The cost for this is estimated at $5.4 million but no decision is expected before 2033.

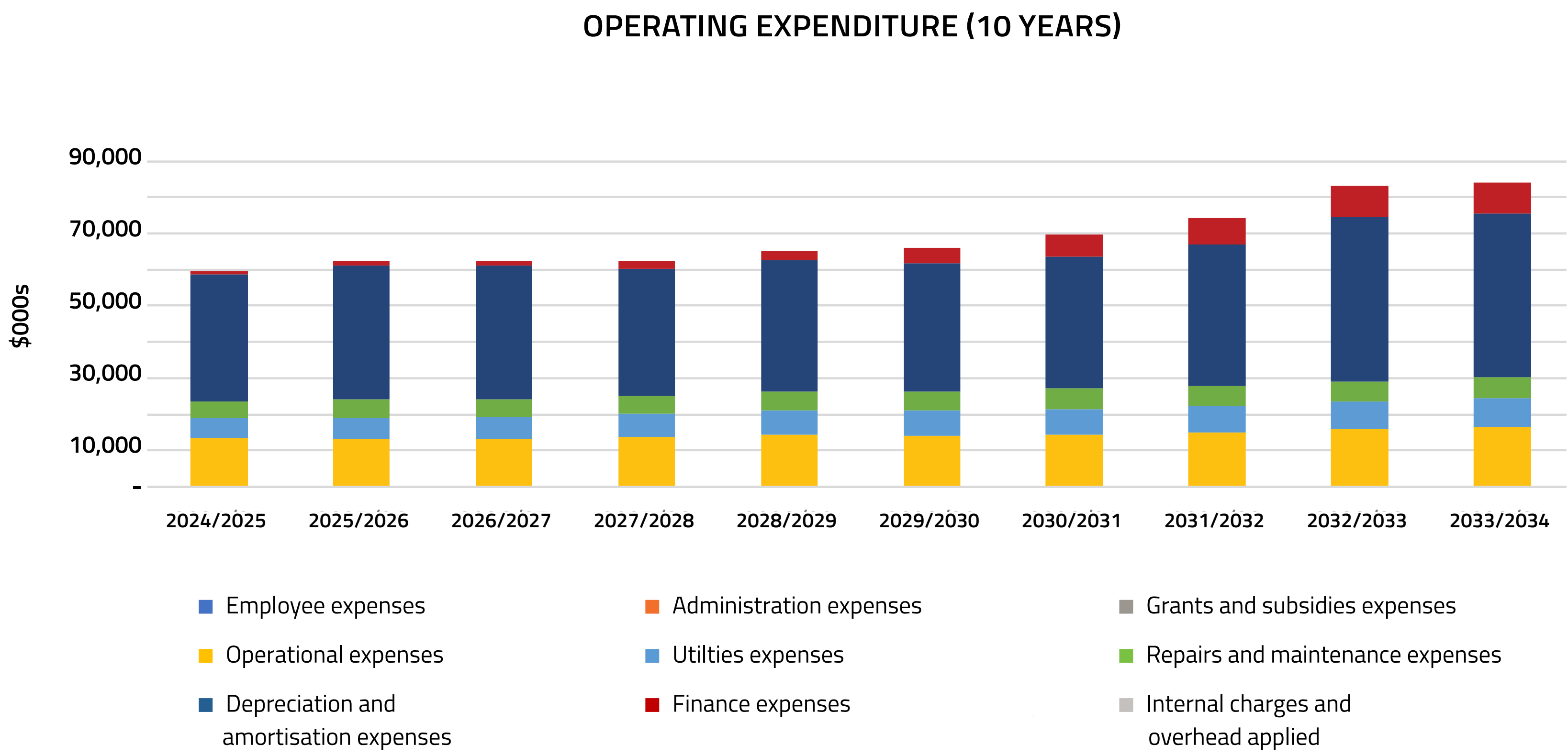
Long Term Financial Estimates

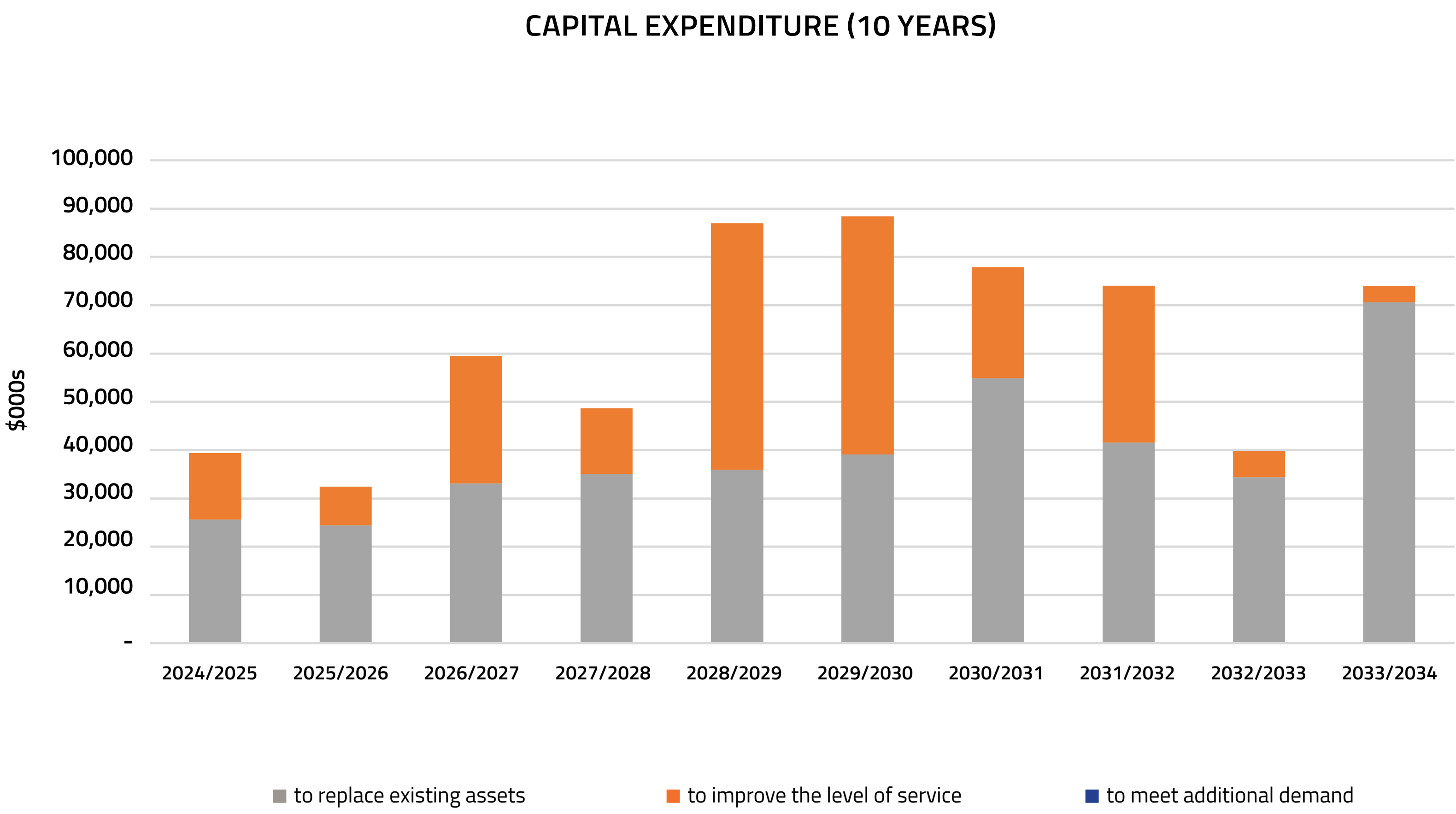
Ngā whakatau tata pūtea

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

Core infrastructure expenditure

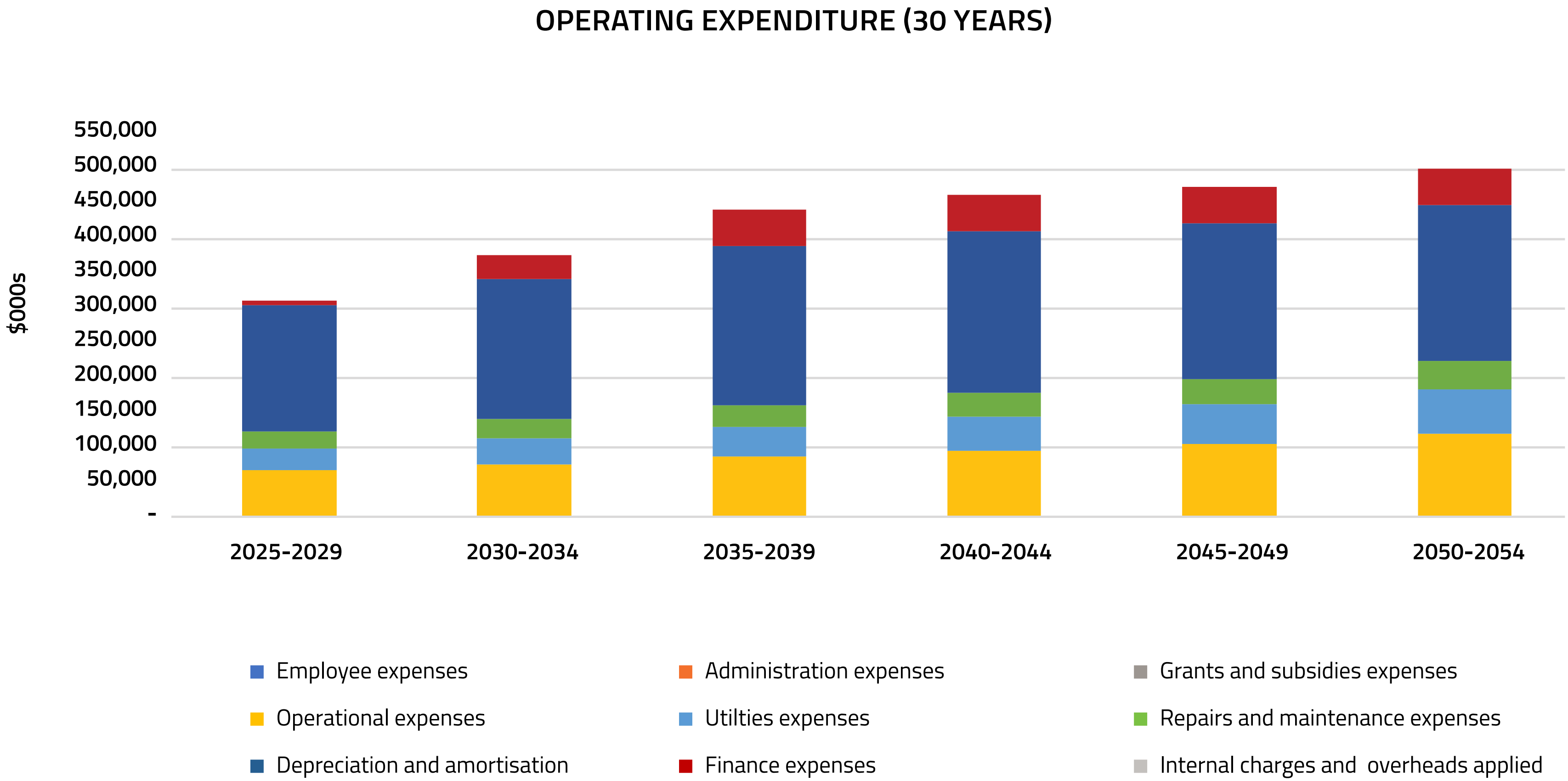
The two graphs below show, in detail for the first 10 years.

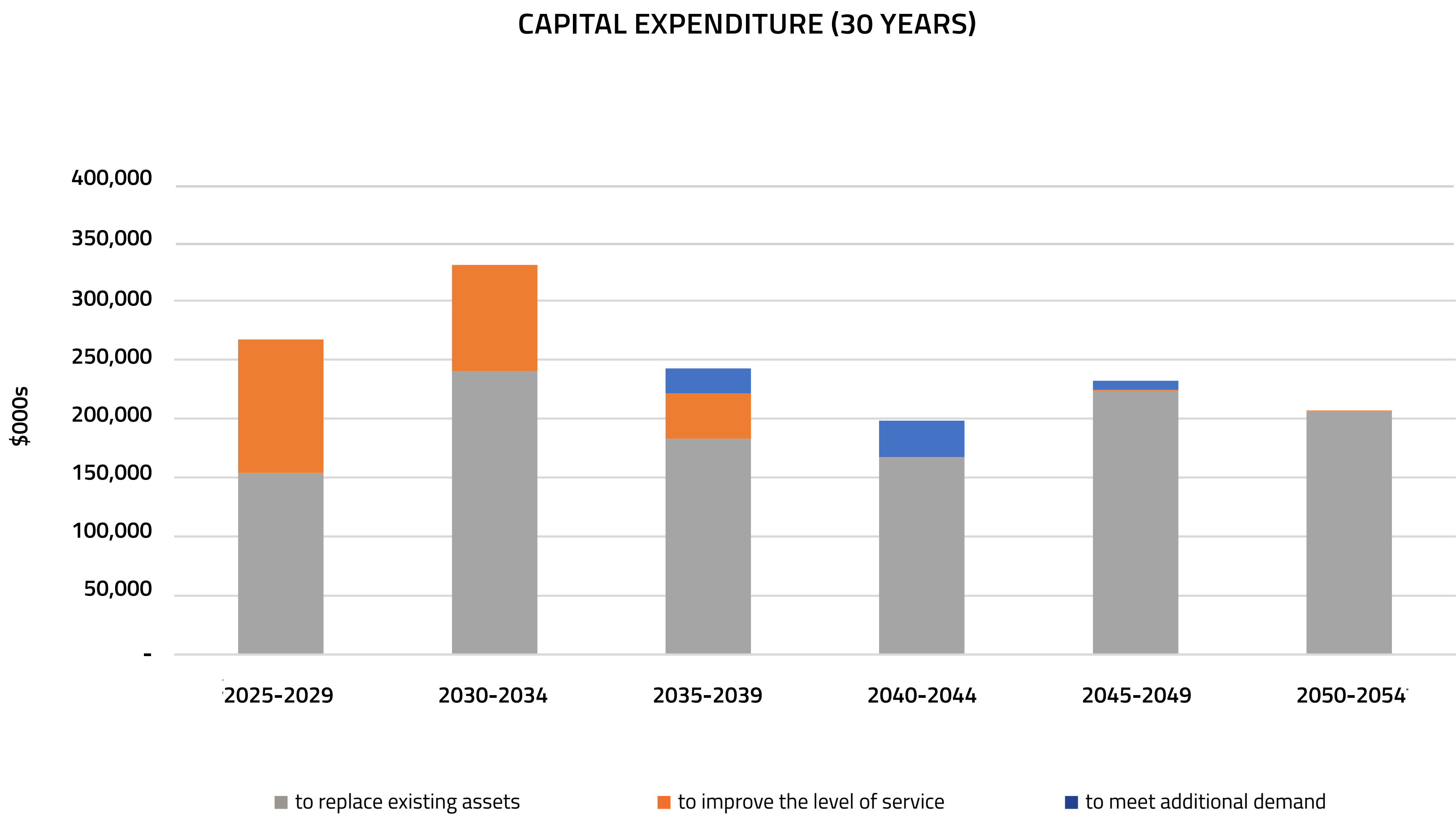



CAPITAL EXPENDITURE (10 YEARS)
$000s
100,000
90,000
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
-
2024/2025
2025/2026
2026/2027
2027/2028
2028/2029
2029/2030
2030/2031
2031/2032
2032/2033
2033/2034
to replace existing assets
to improve the level of service
to meet additional demand

Core infrastructure expenditure

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




CAPITAL EXPENDITURE (30 YEARS)
$000s
400,000
350,000
300,000
250,000
200,000
150,000
100,000
50,000
-
2025-2029
2030-2034
2035-2039
2040-2044
2045-2049
2050-2054
to replace existing assets
to improve the level of service
to meet additional demand

Total infrastructure financials

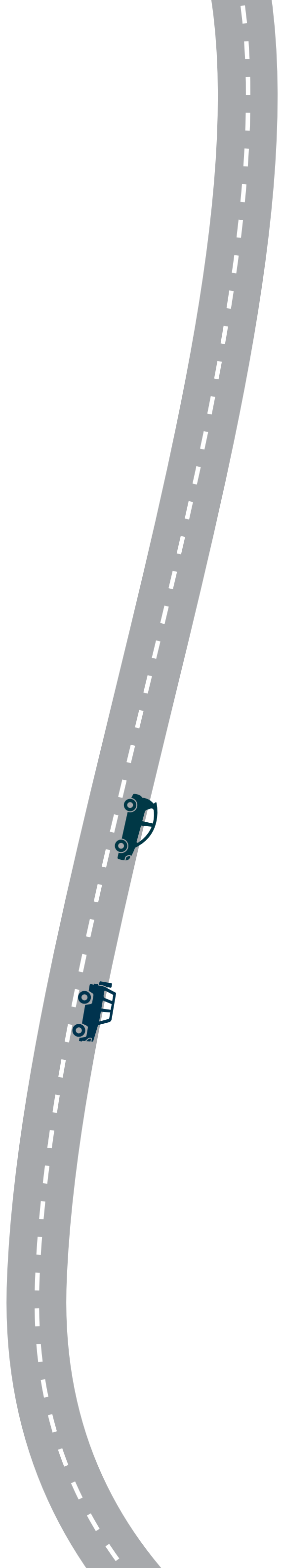
Below are details for the first 10 years, of the total infrastructure financials anticipated over the next 10 years

	2023/24 ANNUAL PLAN ($000)	2023/24 FORECAST ($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)	2031/32 LTP ($000)	2032/33 LTP ($000)	2033/34 LTP ($000)
OPERATING												
Rates revenue	32,501	32,519	35,621	38,843	42,398	43,410	45,944	48,211	52,478	55,070	57,510	67,317
Subsidies and grants (Capital)	5,160	4,760	6,863	6,310	8,911	8,057	8,452	8,643	8,096	8,258	8,423	8,583
Subsidies and grants (Operational)	3,763	3,428	3,302	3,366	3,464	3,582	3,604	3,621	3,693	3,767	3,838	3,911
Direct charges revenue	4,867	4,813	7,805	8,195	8,604	9,034	9,487	9,960	10,458	10,981	11,531	12,107
Rental revenue	228	3	3	3	3	3	3	3	4	4	4	4
Finance revenue	188	43	106	149	229	59	65	70	75	80	84	88
Dividends	-	-	-	-	-	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue	6	1,423	692	707	724	741	757	773	788	804	819	835
Internal charges and overheads recovered	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	**46,713**	**46,989**	**54,392**	**57,573**	**64,333**	**64,886**	**68,312**	**71,281**	**75,592**	**78,964**	**82,209**	**92,845**
Employee expenses	14	-	-	-	-	-	-	-	-	-	-	-
Administration expenses	2,046	42	44	45	46	47	48	49	50	51	52	53
Grants & subsidies expenses	-	-	-	-	-	-	-	-	-	-	-	-
Operational expenses	12,586	11,772	13,467	13,229	13,044	13,703	14,477	14,124	14,439	15,060	15,754	16,526
Utilities expenses	2,704	4,842	5,568	5,831	6,117	6,382	6,629	6,856	7,055	7,245	7,775	7,979
Repairs & maintenance expenses	2,700	3,993	4,606	5,106	4,817	4,905	5,041	5,122	5,548	5,482	5,613	5,693
Depreciation and amortisation	31,651	32,941	35,127	36,954	37,022	35,271	36,543	35,671	36,591	39,048	45,253	45,218
Finance expenses	457	800	898	1,217	1,354	1,948	2,395	4,213	6,073	7,499	8,735	8,634
Internal charges and overheads applied	30	-	-	-	-	-	-	-	-	-	-	-
Total expenses	**52,188**	**54,390**	**59,710**	**62,382**	**62,400**	**62,256**	**65,133**	**66,035**	**69,756**	**74,385**	**83,182**	**84,103**
OPERATING SURPLUS / (DEFICIT)	**(5,475)**	**(7,401)**	**(5,318)**	**(4,809)**	**1,933**	**2,630**	**3,179**	**5,246**	**5,836**	**4,579**	**(973)**	**8,742**
CAPITAL EXPENDITURE - FUNDED												
▪ to meet additional demand	-	-	-	-	-	-	-	-	-	-	-	-
▪ to improve the level of service	12,534	8,455	13,790	8,019	26,407	13,674	51,074	49,328	23,026	32,474	5,500	3,413
▪ to replace existing assets	15,855	14,999	25,623	24,411	33,100	35,027	35,941	39,070	54,866	41,553	34,386	70,568
TOTAL CAPITAL EXPENDITURE	**28,389**	**23,454**	**39,413**	**32,430**	**59,507**	**48,701**	**87,015**	**88,398**	**77,892**	**74,027**	**39,886**	**73,981**
Gross proceeds from sale of assets	-	-	-	600	-	-	-	-	-	-	-	-

Total infrastructure financials

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

	2025/29 LTP ($000)	2030/34 LTP ($000)	2035/39 LTP ($000)	20240/44 LTP ($000)	2045/49 LTP ($000)	2050/54 LTP ($000)
OPERATING						
Rates revenue	206,216	280,586	373,620	443,743	527,027	625,943
Subsidies and grants (Capital)	38,593	42,003	45,558	50,300	55,536	61,316
Subsidies and grants (Operational)	17,318	18,830	20,853	22,923	25,419	27,943
Direct charges revenue	43,125	55,037	70,245	89,650	114,417	146,033
Rental revenue	15	19	20	21	25	26
Finance revenue	608	397	486	550	629	724
Dividends	-	-	-	-	-	-
Fines	-	-	-	-	-	-
Other revenue	3,621	4,019	4,433	4,895	5,402	5,966
Internal charges and overheads recovered	-	-	-	-	-	-
Total revenue	**309,496**	**400,891**	**515,215**	**612,082**	**728,455**	**867,951**
Employee expenses	-	-	-	-	-	-
Administration expenses	230	255	280	308	340	376
Grants & subsidies expenses	-	-	-	-	-	-
Operational expenses	67,920	75,903	86,704	95,378	104,903	119,362
Utilities expenses	30,527	36,910	43,236	49,419	56,562	64,824
Repairs & maintenance expenses	24,475	27,458	30,468	33,605	37,140	40,967
Depreciation and amortisation	180,917	201,781	228,678	232,644	223,831	223,831
Finance expenses	7,812	35,154	52,190	52,190	52,190	52,190
Internal charges and overheads applied	-	-	-	-	-	-
Total expenses	**311,881**	**377,461**	**441,556**	**463,544**	**474,966**	**501,550**
OPERATING SURPLUS / (DEFICIT)	**(2,385)**	**23,430**	**73,659**	**148,538**	**253,489**	**366,401**
CAPITAL EXPENDITURE						
▪ to meet additional demand	-	-	21,362	30,768	7,928	-
▪ to improve the level of service	112,964	113,741	38,220	730	806	704
▪ to replace existing assets	154,102	240,443	182,993	166,865	223,409	206,368
TOTAL CAPITAL EXPENDITURE	**267,066**	**354,184**	**242,575**	**198,363**	**232,143**	**207,072**
Gross proceeds from sale of assets	600	-	-	-	-	-



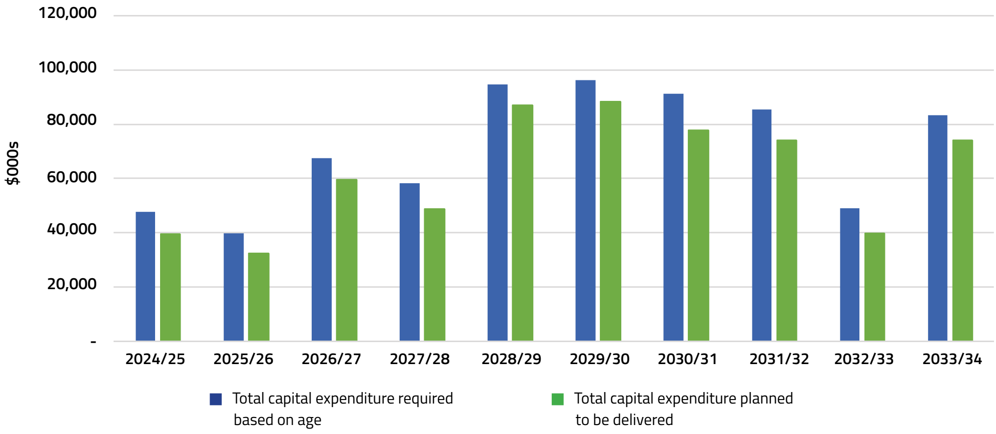
Total infrastructure financials

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

	2023/24 ANNUAL PLAN ($000)	2023/24 FORECAST ($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)	2031/32 LTP ($000)	2032/33 LTP ($000)	2033/34 LTP ($000)
Capital expenditure required based on age												
▪ to meet additional demand	-	-	-	-	-	-	-	-	-	-	-	-
▪ to improve the level of service	12,534	8,605	13,789	8,019	26,407	13,674	51,075	49,328	23,026	32,474	5,500	3,413
▪ to replace existing assets	18,397	17,637	34,014	31,737	41,163	44,579	43,677	46,991	68,127	52,992	43,473	79,829
TOTAL CAPITAL EXPENDITURE REQUIRED BASED ON AGE	**30,931**	**26,242**	**47,803**	**39,756**	**67,570**	**58,253**	**94,752**	**96,319**	**91,153**	**85,466**	**48,973**	**83,242**
Capital expenditure planned to be delivered												
▪ to meet additional demand	-	-	-	-	-	-	-	-	-	-	-	-
▪ to improve the level of service	12,534	8,455	13,790	8,019	26,407	13,674	51,074	49,328	23,026	32,474	5,500	3,413
▪ to replace existing assets	15,855	14,999	25,623	24,411	33,100	35,027	35,941	39,070	54,866	41,553	34,386	70,568
TOTAL CAPITAL EXPENDITURE PLANNED TO BE DELIVERED	**28,389**	**23,454**	**39,413**	**32,430**	**59,507**	**48,701**	**87,015**	**88,398**	**77,892**	**74,027**	**39,886**	**73,981**

Financial implications

CAPITAL EXPENDITURE PLANNED TO BE DELIVERED VS REQUIRED



What can residents expect in 2054?

The Central Business District of Invercargill will be redeveloped and supported by the infrastructure needed to support strong business activity and be a vibrant space where people come to gather, rest and enjoy. Invercargill will have a City Centre which people are proud of and invite others to enjoy. It will have activities that support the use of public space and support the business hub of Southland.

Roading infrastructure will be safer and provide good reliable access to all users and continue to meet the needs of the community. Residents will be changing their travel mode of choice, with cycling and passenger transport continuing to grow. Key infrastructure to support the wider use of low carbon travel modes will be in place and be accepted in the community. Industry will have addressed freight movement and adopted technology which is sustainable.

Three waters infrastructure will be more reliable, safe, appropriately supported, and be financially well delivered. This may be by a new entity or by Council(s).

Invercargill will have an alternative water supply interconnected to other supply and treatment options, be receiving and treating wastewater within approved discharge consents, have stormwater discharging to environments which has been through suitable treatment, and wider areas of Invercargill will have additional services available to support their future land uses.

Financial Strategy: 2024-2034

He ara whakaoho: 2024-2034

Council's vision

This financial strategy supports the delivery of Council's vision by ensuring we have a sound financial position from which to continue to provide all the services and activities with which we are involved.

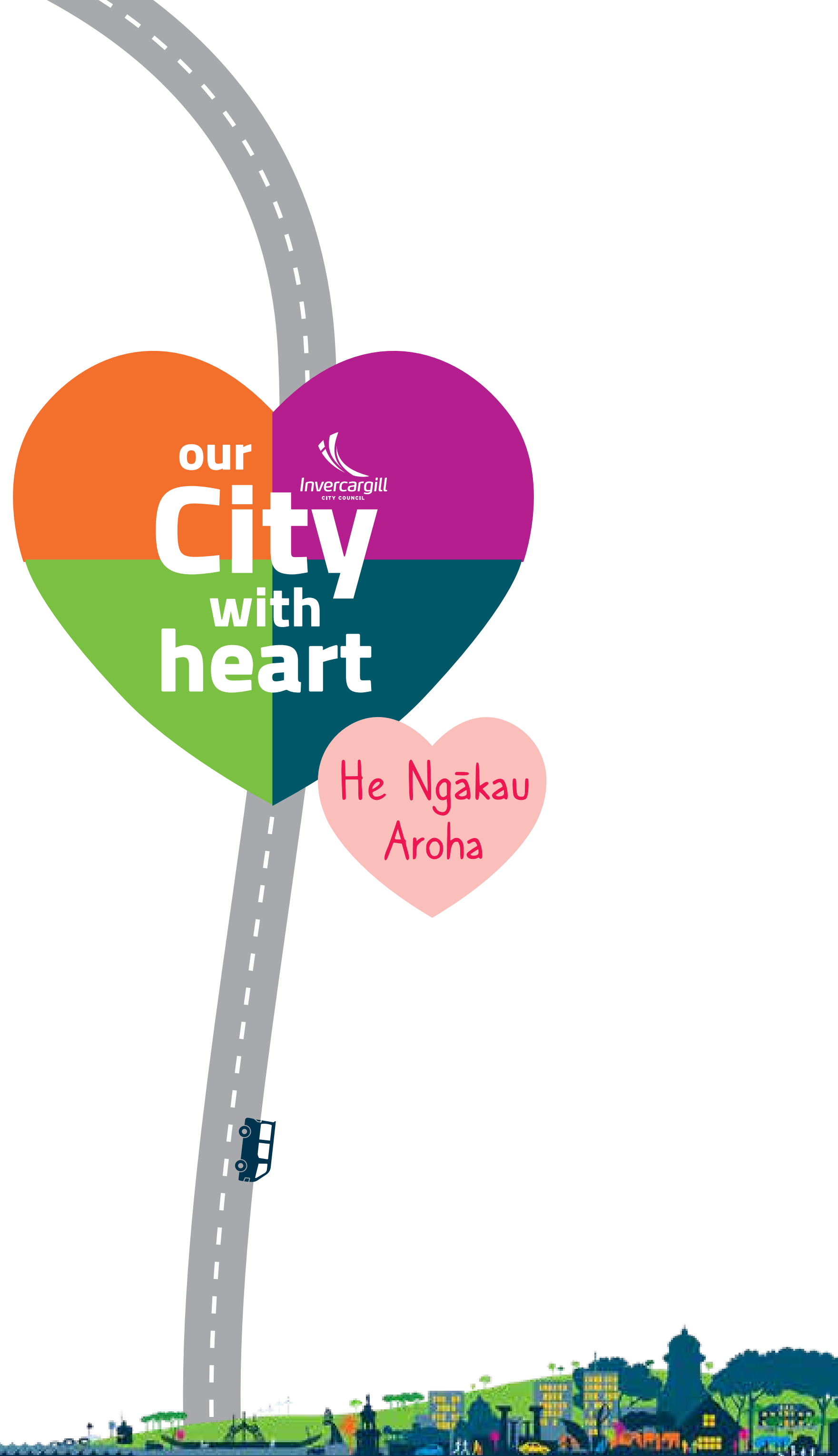
It aligns with our mission – Waihōpai – To leave in good order – through supporting prudent financial management, providing a guide against which Council can consider proposals for funding and expenditure, to ensure we have a sound financial position over the life of the Long-term Plan and into the future. All significant financial decisions made by Council while this strategy is in place will be made within the framework of and with reference to this Financial Strategy. It should be read in conjunction with Council's Infrastructure Strategy.

Critical in this strategy is ensuring that we as Council:

- Maintain our long-term financial resilience.
- Ensure that we are in a position to meet the challenge of significant inflation to the value of our asset networks with flow through impact on depreciation requirements.
- Provide cost effective infrastructure and services.
- Ensure that our rates remain affordable and sustainable.

Council's financial direction over the next 10-30 years requires a balancing act between ensuring that we can continue to provide our infrastructure networks while also providing the district with the other services and activities needed to support community wellbeing.

A number of trade-offs have had to be made in this strategy to find the optimal way forward balancing the needs of the community now and into the future and to prioritise a number of initiatives.



Prudent Financial Management

Councils are required by law to exercise prudent financial management. Subpart 3 of the Local Government Act 2002 provides for a level of predictability for ratepayers, and highlights the need for decisions to be made in the interests of both current and future residents.

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

1. Capital expenditure as appropriate 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.
2. 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.
3. Rates are a limited resource. Council must be mindful of the impact rates have 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.

Looking Ahead – Our Strategic Priorities

- Meeting the changing needs of our rangatahi as part of our wider population, which is growing older and more diverse.
- Delivering City Centre vibrancy through appropriate renewals and improvements.
- Enabling the housing, health, security, and social infrastructure our city needs to grow.
- Steep rises in net valuations mean that Council will run an unbalanced budget in 2024/2025 and 2025/2026. Funding at depreciation will increase after this point to bring the budget back into place.
- Navigating increasingly complex environmental challenges including climate change, land contamination, and earthquake risks.
- Ensuring Community affordability in a time of economic volatility - with financial prudence and efficiency.
- Ensuring Council leadership and delivery is credible and effective, building community trust and engagement.

In addition, there are a number of strategic priorities relating to infrastructure:

- Allowing infrastructure growth where future land uses change and support other priorities.
- Maintaining our core infrastructure.
- Delivering Strategic Projects.

Key Financial Challenges

Council faces a number of challenges going into the next Long-term Plan. These include:

- Continued uncertainty around Central Government's proposed Local Water Done Well Reforms.
- Ageing buildings needing significant upgrade or replacement (including Rugby Park, and Te Hīnaki Civic Building among others), as well as renewal of in-ground infrastructure which is due for renewal.
- Funding for a significant capital expenditure programme – replacing existing ageing infrastructure and building the new Te Unua Museum of Southland.
- Significant levels of asset inflation which means it will now be much more expensive to replace assets, and determining how best to fund that.
- Increasing regulatory demands – especially in water quality, sewerage disposal, and Resource Management Act reforms with flow through impact to increased funding requirements for infrastructure upgrades.
- Continued impact of movement toward an ageing population, with reduced ability to pay for services.
- Impact of an inflationary environment affecting the ability of all the community to pay for services.
- Returning to a balanced budget by 2026/2027 by building up funding for depreciation over the early years of the plan.

These are the main factors which together with balancing affordability are expected to impact on Council's ability to maintain existing levels of service and to meet additional demands for service.

Commentary on the first three items is included below.

In relation to the potential Local Water Done Well Reforms, Council has taken an approach of business as usual, until further notice, while also preparing as required for any transition. In practice, this means that Council will continue to deliver three waters services according to our plans, and if new centralised entities are formed in the future, then they will inherit assets and a revenue base that has been maintained. The focus of Council throughout has been on kaitiakitanga and the benefit and wellbeing of the community.

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

Current position

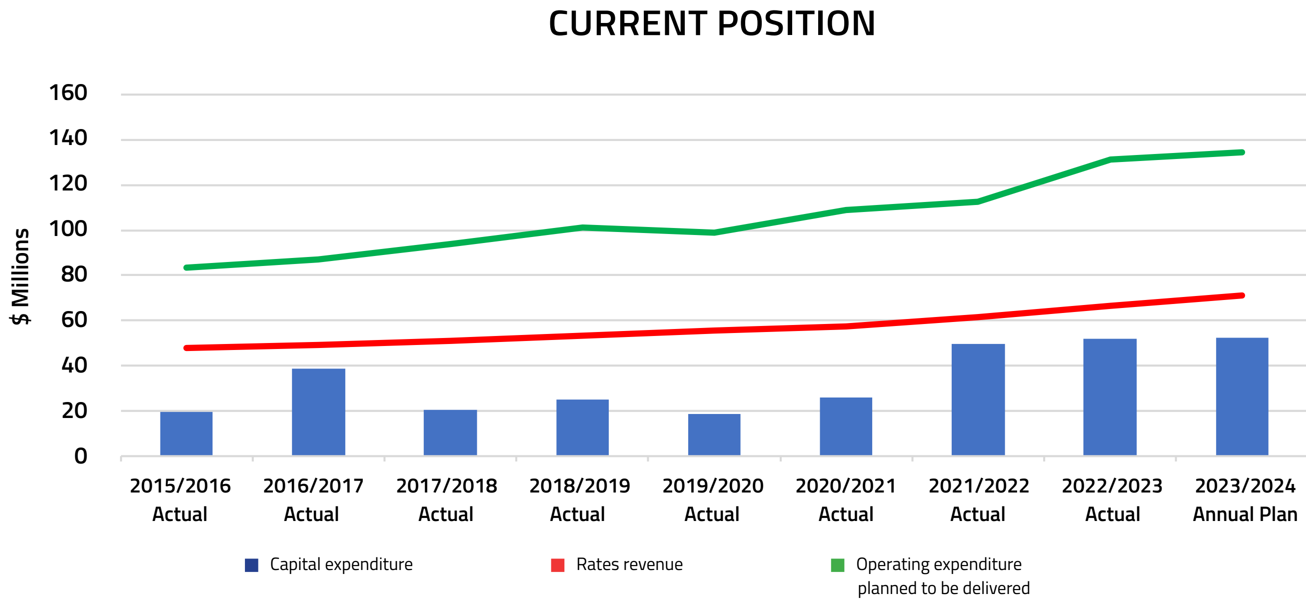
As at 30 June 2023 Council met all but one of the six prudence benchmarks[1] and the 2023/2024 Annual Plan is planning to meet all but two (being the Balanced Budget and Essential Services benchmarks).

Council is forecasting to begin the next Long-term Plan with $124.3 million of debt[2]. This is a relatively low level of debt compared to other New Zealand City Councils[3], and a low level of debt compared to our rates revenue (being 1.7 times the rates revenue).

Council's asset position as at 30 June 2023 showed total assets of over $1.2 billion including cash and equity investments of over $136 million, with no significant liabilities outside of term debt ($124.5 million at 30 June 2023).

Council is forecasting a further operational deficit in 2024, principally due to the increase in depreciation charges. This does not have a significant impact the cash position given the non-cash nature of depreciation. Council also has significant revaluation gains from property plant and equipment which maintains the overall equity position.

Council also has its credit rating from Fitch Rating currently at AA+ stable, which further supports Council's strong financial position. Any negative change in Council's rating would result in an increased cost of borrowing.



Continued uncertainty

This Financial Strategy has been prepared on the basis that the Local Water Done Well Reforms mean Council will continue to provide three waters services. Further information on the impact of a change to a more centralised provider for three waters delivery is provided in Appendix 1.

Council is entering a period where significant investment in renewals, new capacity and upgraded infrastructure to meet changing regulatory and consent requirements is required in our three waters infrastructure.

Increased regulatory requirements

In tandem with the potential Local Water Done Well Reforms there has been significant pressure on Council in relation to increased regulatory requirements of Central Government. The most progressed of these is water.

This Long-term Plan has seen Council having to significantly increase the level of operating and capital expenditure in the three waters areas to ensure we continue to comply with new increased drinking water standards, the expectations of the water regulator and anticipated requirements for future consent conditions by the Regional Council and Iwi.

[1] Local Government (Financial Reporting and Prudence) Regulations 2014, regulation 10.

[2] Debt balance as at 30 June 2023.

[3] Using the debt per rating unit measure as published by New Zealand Taxpayers Union in its annual ratepayers report.

The changing nature of the regulatory environment means that the expected cost to renew the resource consents for our wastewater plants has significantly increased. Both the Bluff and Clifton Water Treatment Plants' consents will need to be renewed during the first ten years of this strategy. This investment is currently estimated to be approximately $111.4 million.

There is an expectation that the Resource Management Act reforms will have an impact on Council structure and costs. However, as at the date of drafting this Strategy, the full impact is as yet unquantified, and may change depending on the direction taken by the new government.

This uncertainty extends to the cost of a number of our key infrastructure projects. The prudent nature of the debt limits set in this financial strategy are such that Council does have $140 million additional debt capacity to fund the unforeseen, whether that be a call on uncalled capital, natural disaster or a significant cost increase in key infrastructure investments. The best way to operate 3 waters activities and sustainably fund infrastructure investment will continue to be explored.

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 years. Because of this, future years' rates increases and the amount of debt held will be higher. 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 2023 the financial situation of Council is one of good health, with reasonably strong capacity to invest for the future.

The ten years covered by the Long-term plan does present Council with challenges financially. This is in response to Council's increasing knowledge of its infrastructural assets and the increasing demand for improving infrastructure. This is of particular importance for Water Supply, Sewerage and Stormwater, as work is required to maintain and improve drinking water quality, to reduce contaminant entering our waterways via stormwater runoff and likely to our approach to managing discharge of wastewater.

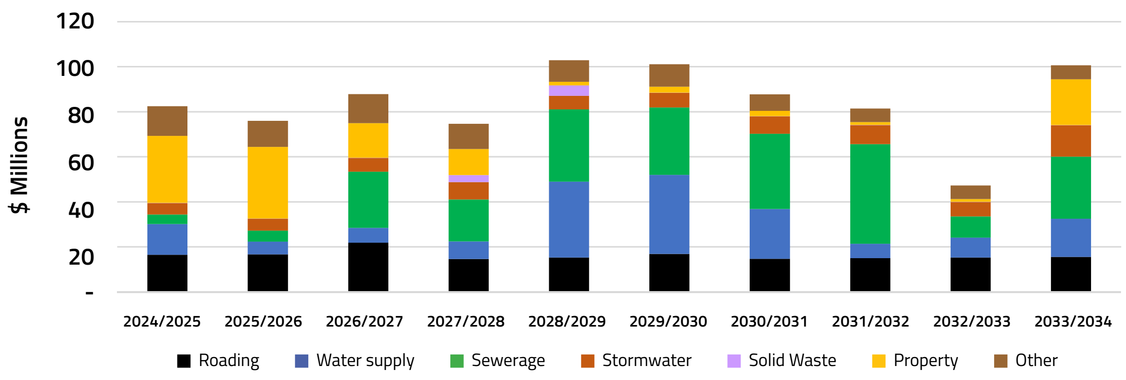
Traditionally Invercargill City Council, like many other Councils, has a pattern of under-delivering on its capital spending plans. Plans put in place in the last Long-term Plan have seen capital delivery increase, with $102.5 million in capital being completed in 2022 and 2023 combined. Council has a significant capital programme and historic peaks in its capital investment, which means renewals of assets may also have similar peaks. There are two potential methods to address this:

1. Continue the increased focus on programme development and delivery. 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 timeframes that are an integral constraint of financial planning. That constraint is the accounting concept of a financial year.

Council will continue to take a joint approach:

- Dedicated resource monitors capital project delivery. Alongside this, we develop a whole of Council capital programme that balances roadmap, strategic and renewals projects and applies the appropriate level of resource and focus depending on the nature and risk associated with each project
- Development of a capital programme that is able to be delivered both by Council staff and by the contracting market, while remaining within the constraints of the Financial Strategy.

LTP 2024-2034 CAPITAL PROGRAMME



- Recognition that a portion of the capital programme will not be able to be delivered in a financial year and adjusting the funding requirements accordingly. This is especially true in relation to the asset renewal programme.

Council continues to have an ambitious capital programme. In planning the capital delivery the asset owners and managers have worked to put together a programme that has approximately $84 million of capital expenditure a year for the life of the Long-term Plan. These amounts have been set by reflecting on both the capability of Council and contracting partners to deliver, as well as maintaining financial prudence.

Given the age of the City's reticulation networks the infrastructure strategy indicates that continued significant investment will be required to ensure that resilience is improved and service delivery standards maintained. The investment also needs to recognise the risks associated as assets age, and improved asset condition data is available to support the needs for renewal of particular assets. Investment decisions will be made taking into account risk profile and asset criticality.

The level of funding provided for the renewals component of the capital programme will gradually rise from 75% to 100% of the programme over the first six years of the Long-term Plan. This recognises that the assessment of work and timing is uncertain, there remain constraints in the contractor market, and that this is a programme which needs continued attention to ensure delivery percentages are maintained.

The renewal capital programme is based on average lives, supported by asset condition information and other evidence. Council's significant assets have long lives – 50–100 year lives are not unusual. However, due to many external factors assets may sometimes need to be replaced sooner or later than their estimated life.

Statistically almost all assets need to be replaced within three standard deviations of their average life. What this means is that if the variation is five years (which would be a reasonably conservative number), then it is almost certain that the asset will need to be replaced within the 15 years (three times five years) before or the 15 years after its average life.

In regards to renewal projects, a delivery target of 80% would effectively mean that the projects would be delivered 20% later than what is indicated in the Long-term plan. For example, a two year project will actually take 28-30 months to complete. This is a significant improvement compared to our historic delivery rates.

Over the period of the strategy the renewal delivery target is expected to range from 70-90% of the renewal programme. This will mean renewal focus will be on critical assets while, non-critical assets will be allowed to operate to or beyond the expected life. This approach is not without risk and it may be necessary to reprioritise renewals or provide additional funding in particular years.

Council is also focused on growing Invercargill's community assets and reinvigorating Invercargill's Central Business District, growing He Ngākau Aroha, Our City with Heart. A number of large community projects are planned throughout the ten years of the Long-term Plan, all part of making Invercargill a more desirable place to live and work. These initiatives are also designed to complement and support the Beyond 2025 Southland Regional Long-term Plan. The main Roadmap to Renewal projects that fall within this category include Te Unua Museum of Southland, a new urban play facility, and the scoping of new pool facilities, which are likely to include hydrotherapy and other facilities desired by an older population.

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 interesting place to live, work and play.

Financially this means that Council will continue to increase its debt over the life of the Long-term Plan in order to achieve what it has set out to do.

Funding asset renewals

Council re-values its operational buildings and infrastructure network assets at least every three years, to ensure that increases in the replacement costs of these assets are recognised. Depreciation of these assets changes after each revaluation to ensure that the annual depreciation charge is sufficient so the asset is fully depreciated by the end of its remaining useful life.

The goal of depreciation is to spread the cost of the asset or consumption of its service potential over its expected life.

At 30 June 2022 Council conducted a full revaluation of its operational buildings and infrastructure assets. This resulted in an increase in asset value of $215 million and an annual increase in depreciation of $11.8 million.

This significant increase in asset value reflected the increase in contracting costs post Covid-19, together with the significant inflation in labour and materials since the last revaluation in 2019.

Annual depreciation for 2023 reflects 31% of operating expenditure, which is a 4% increase from the prior revaluation.

In order to balance its budget, the last Long-term Plan (2021-2031) saw Council move to an approach to fully rates fund its annual depreciation charge. The current strategy is:

- depreciation is funded at a global level.
- depreciation is not transferred into special reserves, but for some targeted rates (Water, Sewerage, City Centre and Bluff Community Board) any cash surplus after meeting all costs (excluding depreciation) and capital spending will be placed in a targeted reserve, so that rates for that purpose will only be used for that purpose.

Depreciation acts as an indicator of the true long-term cost of a service, as it reflects a level of asset consumption in a particular period. However it does not solve all issues regarding the long term sustainability of a given service.

Assets are purchased using a combination of debt and annual revenue.

The goal when funding Council activities and services is to achieve a level of equity or fairness between generations (Intergenerational Equity). In other words, each generation should pay a fair share and should pay for what they use. Often we can use depreciation as a substitute for this equity, but there are a number of circumstances where this does not work. In particular, new assets purchased with high debt will have to meet the costs of both debt and depreciation. Over time, inflation means that debt actually has a lower cost. So future generations face a lower cost for that debt compared to the earlier generations who are paying it off.

The current period of much higher than predicted inflation has resulted in a conflict between the key goals of the financial strategy, being:

- a prudent approach to debt and intergenerational equity via fully rates funding the depreciation charge;
- rates affordability and
- a balanced budget.

The significant increase in depreciation following the last asset revaluation meant maintaining the above three goals was not possible in the 2023/2024 Annual Plan. Council decided to partially fund asset renewals in order to maintain rates affordability. Looking ahead to the ten years covered by this Strategy, that conflict will remain and intensify.

This creates a significant challenge for Council. To fully fund depreciation on top of the investments needed to maintain the current level of service to the community would mean an additional 7.72% in rates, and therefore a potential rates increase of 17.52% in year one – which is the polar opposite of our objective of keeping rates affordable.

Noting that it will not be possible to achieve a balanced budget right away, in light of the above considerations it is proposed that Council modify the current strategy, as follows:

- Partially fund depreciation on all asset classes
  - Water, 95% in Year 1 increasing to 100% in Year 2 onwards
  - Sewerage, stormwater and property at 75% in Year 1, increasing by 5% per annum.
  - Roading 80% every year.
- Set the initial rates funded depreciation in the infrastructure network asset classes at a level which:
  - At least covers the proposed renewal programme for that asset class in all years, and

- Increases incrementally so that by year 6 of this Long-term Plan depreciation is fully funded (with the exception of roading, which remains at 80% in all years due to NZTA/Waka Kotahi/Waka Kotahi subsidy funding).

The assumption on asset value increase will be set with reference to the BERL inflation index for capital expenditure for assets.

Taking this approach to the Financial Strategy continues to reflect:

- Depreciation is still considered to be the best proxy for the use of our assets, and by rating on use we better allocate the cost to those ratepayers that actually use the assets.
- Staging the recovery of the significant asset increase reflects Council's commitment to rates affordability.
- Ensuring we get to a position where we have a balanced budget by 2026/2027 reflects our core commitment to financial prudency.

Demographic changes

In recent years Invercargill has seen and continues to see and project population growth. Property values have lifted and we have seen a shortage of some types of housing.

Forecasts for population growth reflect the Beyond 2025 projections for new industries in the region, along with the long term retention of the Tiwai Aluminium smelter. A 1% network growth assumption is included to reflect the as yet unknown location and requirements of industries which is expected to require some form of network extension. 0.5 - 0.9% rating base growth is forecast reflecting a combination of population change, household size change and industry growth.

In relation to growth, the district already has most of the infrastructure needed to service the population for most of the growth identified in the Long-term Plan. Council has already identified a need for an alternative water supply to mitigate the risks of a single source of water. That need will accelerate as the population rises, or as new industry demand requires. Certain water-intensive industries have been identified in the Beyond 2025 Regional Long-term Plan as having growth potential in the region. The costs of an alternate water supply are highlighted in the water activity. Another effect of growth will be on the volume of sewage outfalls. An increased population may create additional pressure to improve the quality of the outlets for treated sewage, although it is expected that the standards for these will be lifted in any event when the current consents need to be renewed.

An increasing population will likely see the current increase in house prices continue, in addition to more houses being built to cope. Subdivision capacity for growth is not unlimited, but is able to respond to market demand. Developers of new subdivisions are responsible for providing all of the infrastructure for the new properties (including roads, footpaths, stormwater pipes and water and sewerage pipes) so the increase for Council comes from 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 10 years. A decision is expected around any requirement for network extension in the middle years of the Infrastructure Strategy.

If the population reduces it can have different impacts:

- The same number of properties but a lower average of 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 would time to manage it if it did appear. Communities need to be mindful of this possibility. The sooner it is identified the better it can be managed.

Changes in the composition of population by age group and ethnicity are also expected to continue.

Ageing population

Current projections suggest that our population is ageing, and the over 65s are expected to make up 24% of our population by 2034. 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.

Diversifying population

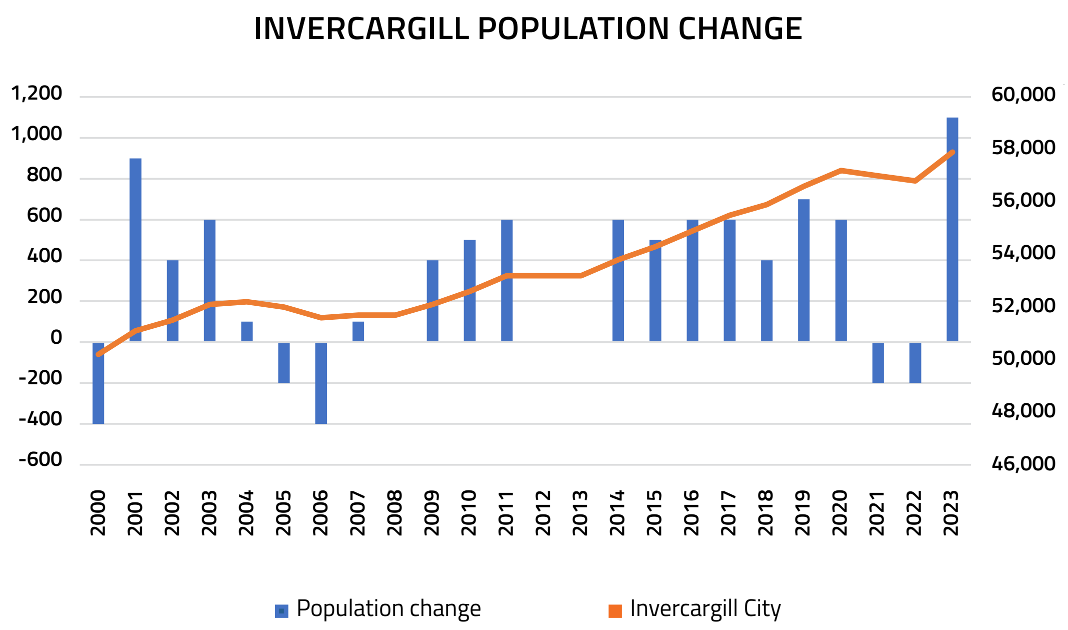
Current projections also suggest the population will continue to become more diverse. By 2034 it is expected that our population will include 25% Māori and 13% Asian residents. These changes are not expected to have any significant impact on the services provided by Council, but Council will remain committed to our relationship with tākata whenua, and mindful of differing cultural needs. Any changes are not expected to be significant and will occur with current budgets.

Information prepared by Infometrics shows the population change for Invercargill between the years 2000-2023. The orange line shows the reasonably steady growth since 2000 which 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.

Council is committed to improving community wellbeing by focussing on social, cultural, economic and environmental wellbeing. Council seeks to do this through the development of growth projects and sustainability of existing services.

Council notes that the current infrastructure network is set to service the community, including projected growth, 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 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 as the expected life of a number of key assets is drawing to an end.



Growing pressure of climate change

Climate change has been noticeable in various forms for a number of years. There is no doubt that weather patterns have developed more extremities. The Southland Climate Change Report 2018 by NIWA forecasts more extreme weather events including both droughts and floods. 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. The frequency of flooding 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 peak water use, and that puts stress on the current single source of water. Pipe renewals are being installed on the basis of the forecasts provided by NIWA in line with Council's climate change assumptions.

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. Council is working with the Regional Council to identify the further modelling and analysis required to identify areas of risk following the recent completion of LIDAR flights. There remains significant modelling needed at a regional level to understand likely sea level rise 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.

It is expected that rising sea levels will have an impact on some Invercargill properties, especially those that are low lying and close to the sea. However, current assessments 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. Again, Council is aware of the need for further modelling and analysis on these issues.

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 individuals' property rights by taking pre-emptive action on existing properties while the current uncertainty remains. Such action could turn a future possible loss for a property owner into 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 that loss.

Intergenerational Equity

The services that Council provides are costly due to the value and amount of assets that are used. 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 servicing and repayment of 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.

Debt Management

Net Debt

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

Net Debt = total borrowings less cash and cash investments.

Council is able to borrow and invest money at relatively similar interest rates. Currently the interest rate paid on debt is about the same which can be earnt 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 and it is not prudent 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.

Council's borrowing remains relatively low against Council's total assets base (9.65% as at 30 June 2023). 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 when deciding the maximum level of net debt which it would be prudent for Council to incur, we need to allow for the possibility of the capital being called.

In addition to the uncalled capital, Council needs to make provision for unforeseen shocks or significant increases in costs. It would not be prudent to be at the maximum net debt level and then find a recession or a natural disaster impacts on our costs or revenue. This would have the potential to push us above our net debt limits, and therefore not able to access the necessary cash.

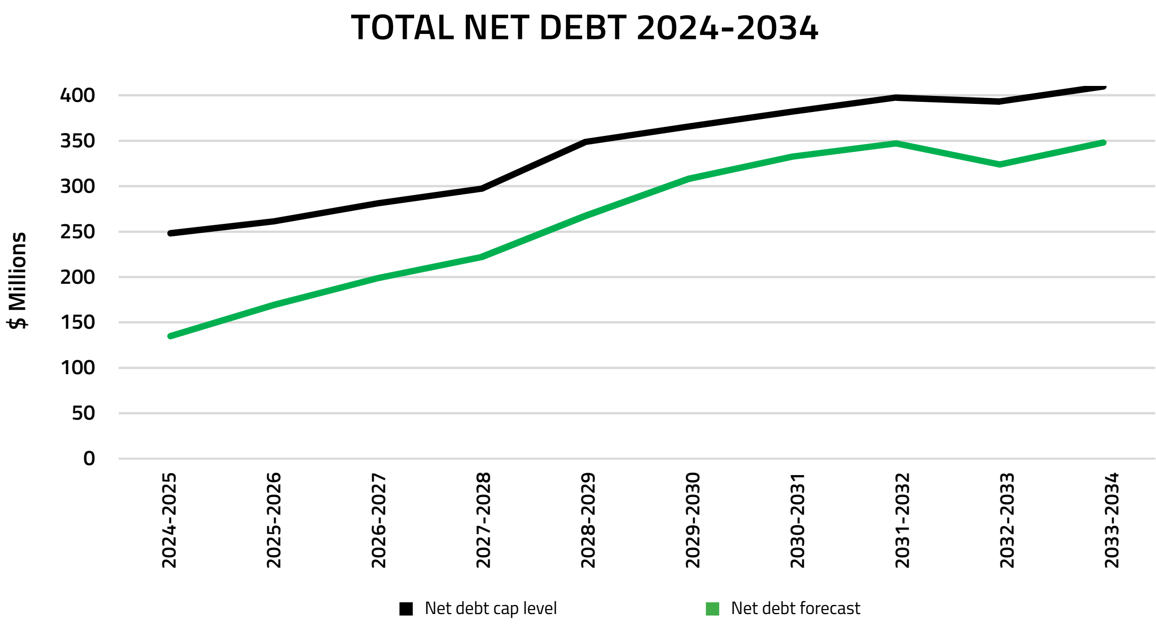
As a borrower from the Local Government Funding Agency there is a maximum amount of debt that Council can borrow. As a credit rated Council that limit has been 300% of annual operating revenue. This will fall back to 280% by 2026.

Council has traditionally taken a prudent approach to its maximum net debt level, setting a maximum of 150% of revenue. However, given the level of investment required within the period of this Financial Strategy it is considered necessary to review this level.

It is proposed that the maximum net debt level be increased from 150% to 180% for the first four years, 200% for the following four years, and then 190% thereafter, of operating revenue.

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

While Council could technically take on an even higher level of net debt (closer to 280% of operating revenue) or $140 million over the 10 years of the Long-term Plan the interest cost associated with borrowing to the maximum would put a significant cost on ratepayers.



Borrowing servicing and repayment

A significant issue for this Long-term plan and this Financial Strategy is the increasing borrowing at a time when interest rates have increased considerably from the historic lows of recent years. This exposes the community to a significant risk of increased rates.

Borrowing levels are predicted to increase in the first five years of this Long-term Plan. As such it has been necessary to increase the debt limit. With new borrowing rates predicted to be as high as 6% rising from as low as 1%, there will be a significant impact on rates to service the debt. Every 1% increase in the interest rate will mean a rates rise above the forecast rates increase of about 2.5%. So a 2% interest rate rise would become a 5% rates increase. 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 borrowing 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 at least 1/30th of the outstanding borrowing to go to the repayment of the borrowing. This reflects the fact that funds are borrowed for assets and activities with a longer service life.

The Council has set the quantified limit on borrowings for the purpose of the debt affordability benchmark prepared in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 is that external debt will not exceed 20% of total assets from 2024/2025 to 2027/2028 and 25% from 2028/2029 onwards.

Security for Borrowings

Council borrows from the Local Government Funding Agency. As part of borrowing from that source, a standard security over rates is required. This is the most common security for Local Authority borrowing, and is well understood by the financial market lenders. What this means is that in the event of a debt default, a security agent is able to set a rate to meet the loan repayments.

Council currently maintains an AA+ credit rating.

Asset Sales

Council has recognised that it owns a large amount of land and assets that it may not be getting the best return on.

Over the course of the Long-term Plan Council will look to sell assets (land and buildings) that are not required for operations or strategic reasons. Income from the sale of these assets will be used to reduce the net debt balance of the relevant activity, effectively reducing the level of debt Council needs to borrow.

Cash and Cash investments

Council must ensure that each year's projected operating revenues are set high enough to meet that year's operating expenses, unless Council resolves that it is financially prudent not to do so.

As discussed above Council aims over the period of the Long-term Plan to return the balance between operating revenue and expenses (including depreciation). 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 accessed 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 a term investment portfolio of at least $20m, and this will fluctuate according to financial need.

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.

The amount of cash held by Council is expected to rise over the Long-term Plan as the additional $4 million dividend per annum from ICHL is received. This cash will be held to enable future investment.

Rates

Every year Council reviews its operational expenditure to look for short and long-term cost savings. 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 from all sources is also reviewed annually. Capital expenditure is evaluated for priority, need, and timing for maintaining levels of service. Capital expenditure is funded from rates and borrowing or use of investments. In the long term there is a limit on borrowing, and as a result either rates need to rise or the level of capital investment needs to reduce. This process repeats, with the aim to achieve the levels of service desired by the community, at a cost that is both affordable and which does not hit the "willingness to pay" trigger.

Council will run an unbalanced budget in 2024/2025 and 2025/2026 as a result of the significant impact of a net revaluation as a depreciation forecast. Over time depreciation funding will rise to bring the budget back into balance.

Rates are a tax on property, and are set based on factors relating to a property. One of the main factors that impacts predictability of rates is the three yearly revaluation of every property in the district to establish the "Rateable Values". When properties are revalued it creates a distortion in the rates increase which each ratepayer will have as compared to Council's stated rates rise. Unfortunately, there is very little Council can do change this. However, Council is mindful that the rates increases should be predictable, not just in terms of total rates rise but also in terms of impact on an individual property.

Between Long-term Plans, Council sets a uniform increase in rates, meaning that each rate type rises 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. Council will continue this practice for years that are not a rates revaluation year.

Council limit on 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 Long-term Plan, the total rates take in any year will be no higher than the Local Government Cost Index (LGCI) – Council's inflation rate plus a set percentage.

In this Strategy Council has focussed on the predictability of rates. Council also recognises that the Long-term Plan 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 one company and has a controlling influence over two trusts. The principal reason for holding an equity interest in company investments is to provide a financial return on investment for ratepayers or for the delivery of services. 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 from the trusts.

Council's significant interests in the companies and trusts are as follows:

Property Investments
Council maintains an Investment Property portfolio within the District. The properties are divided into two categories:

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

COMPANY	SHAREHOLDING	PRINCIPAL REASON FOR INVESTMENT	BUDGETED RETURN
Invercargill City Holdings Ltd	100%	To undertake commercial opportunities and provide dividend returns to the city	No less than $5.5 million for 2024/2025 Special dividend of $4 million per annum
Bluff Maritime Museum Trust	Controlling interest	To provide specialised governance for the museum	Nil.
Invercargill City Charitable Trust	100%	To provide access to recreational and cultural events within the City, in line with community outcomes.	Nil.

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

Council's objective is to maximise return from endowment and trading properties, however due to historic lease arrangements 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
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 six years (2018/2019: 4.91%, 2019/2020: 3.50% and 2020/2021: 2.00% 2021/2022: 5.00%, 2022/2023: 6.53%, 2023/2024: 5.67%). 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, combined with a period of higher inflation and interest rates.

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 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 ratepayer 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 and investments in other utility operations. 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 recently consulted the public on a proposed restructure within the EIL group, this is yet to be implemented however, ICHL continues to work with EIL to improve the cash return from the Group. A special dividend of $4 million per annum for the 10 years of the LTP has been included in the budgets as a result of the proposed restructure.

ICHL has provided Council with a dividend 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 a minimum of $5.5 million for the 2024/2025 year. Should this dividend fail to increase as predicted, Council would have less income received to minimise the impact on the general rates draw.

In the longer term, Council has noted that it cannot be financially reliant on an increasing dividends including from asset sales to reduce the general rates draw every year. The minimum dividend of $5.5 million represents a 7.7% reduction in rates required.
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 – Financial Benchmarks

The purpose of this statement is to disclose the Council's planned financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings.

The 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.

It should be noted that all benchmarks are provided on the basis that three waters services will continue to be provided by the Council.

Rates Affordability Benchmark

Council meets the rates affordability benchmark if:

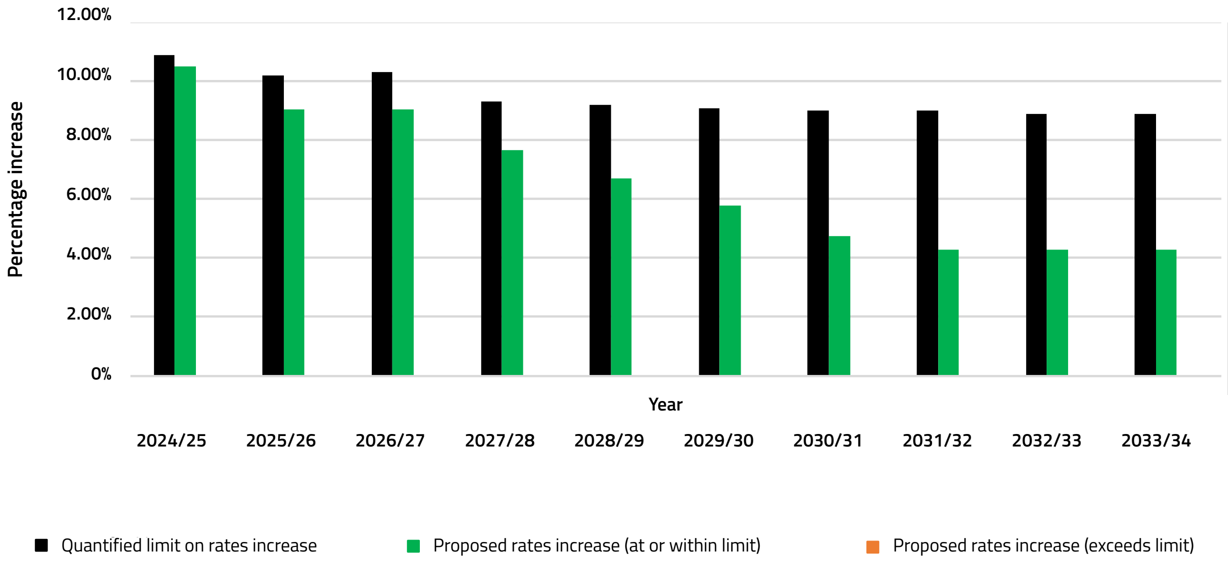
- Its planned rates increase equal or are less than each quantified limit on rates increases.

Rates (Increases) Affordability

The following graph compares Council's planned rates increases with a quantified limit on rates increases contained in the Financial Strategy included in this Long-term Plan. The quantified limit is rates increases will not exceed the Local Government Cost Index (LGCI) plus 8% in 2024/2025 to 2026/2027 and Local Government Cost Index (LGCI) plus 7% from 2027/2028 onwards.

YEAR	LGCI INCREASE
2024/2025	2.90%
2025/2026	2.20%
2026/2027	2.30%
2027/2028	2.30%
2028/2029	2.20%
2029/2030	2.10%
2030/2031	2.00%
2031/2032	2.00%
2032/2033	1.90%
2033/2034	1.90%

RATES (INCREASE) AFFORDABILITY BENCHMARK (2024-2034)



The table to the left shows forecast LGCI increases for the next ten years but, for example, if the LGCI change was 2.20%, Council's rates increase would be no more than 10.20%. 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 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.

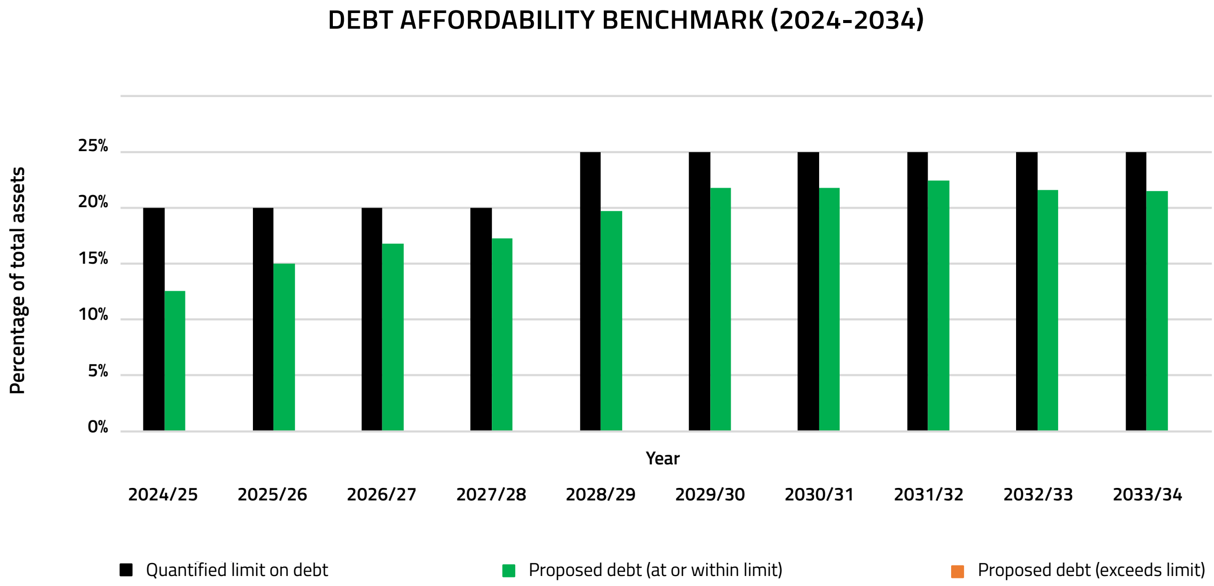
[Source: Cost adjusters 2023 final update, Berl, October 2023]

Debt Affordability Benchmark

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

The following graph compares the Council's planned debt with a quantified limit on borrowing contained in the financial strategy included in this Long-term Plan.

The quantified limit is that external debt will not exceed 20% of total assets from 2024/2025 to 2027/2028 and 25% from 2028/2029 onwards.



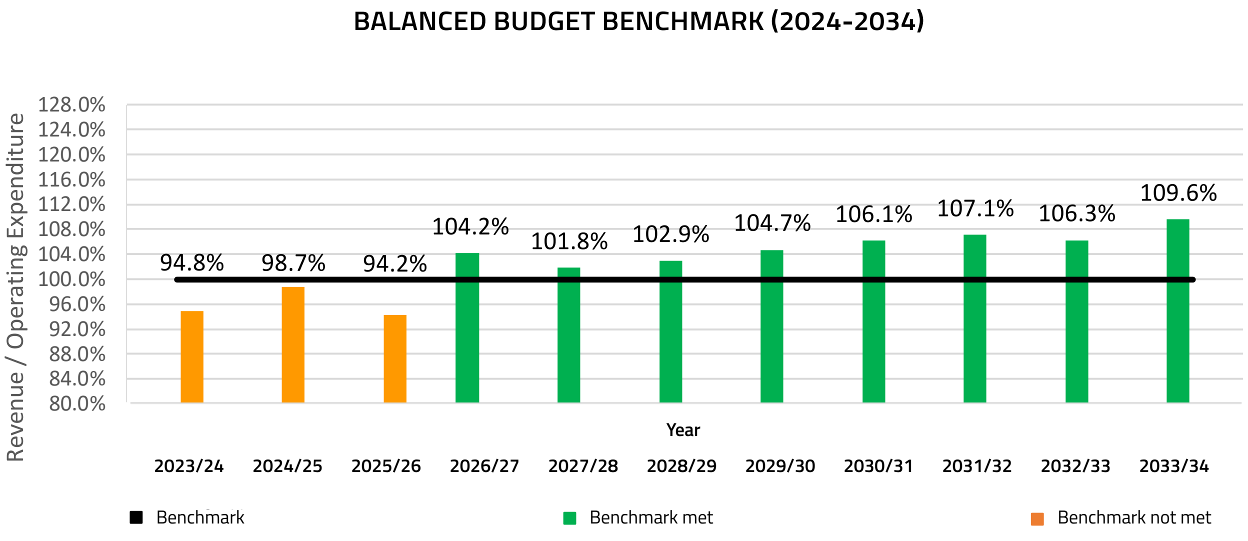
During the Long-term Plan period, the debt affordability percentage is expected to increase, peaking at 22.33% in 2031/2032 before decreasing again.

The Council considers that setting a borrowing limit of 20% from 2024/2025 to 2027/2028 and 25% from 2028/2029 onwards of assets will assist in prudently managing Council's borrowing activities to ensure the ongoing funding of Council activities. 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

The following graph displays the 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).

The 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 whether 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.

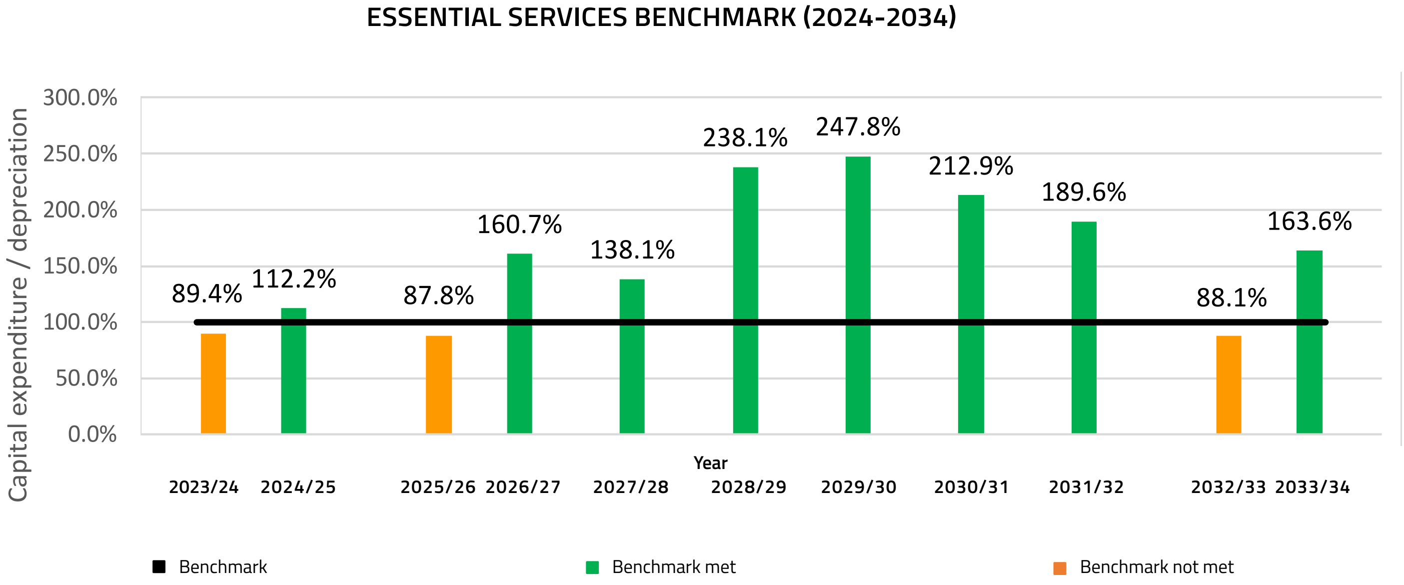
The proposed Long-term Plan has set projected operating revenues for 2024/2025 and 2025/2026 at a level that does not meet the projected operating costs. This reflects the challenge faced by Council of fully funding the depreciation on the infrastructure network assets which during the last three years have been subject to significant increases in asset value.

Over the period of the Long-term Plan the level of rates funding of depreciation has been increased to meet this challenge.

Essential Services Benchmark

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

The Council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.



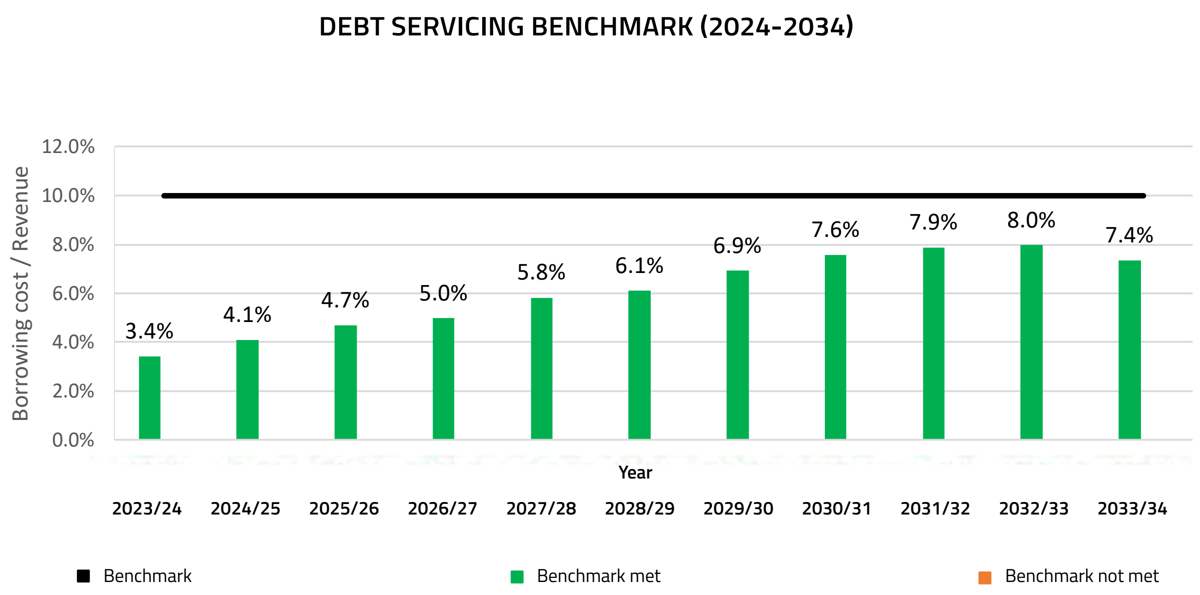
Although not reaching the target in every financial year, over time Council's capital expenditure should equal its depreciation. This will mean Council is replacing its assets as they deteriorate, however due to some projects being large it is hard to assess this on a year by year basis.

Council does not meet this benchmark in two of the 10 years. 2025/2026 and 2032/2033 are lower than depreciation level due mainly to the timing of projects. Council does not meet the benchmark over the course over the combined 10 year, and exceeds in most cases.

Debt Servicing Benchmark

The following graph displays the 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 the 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.



Appendix 1: Impact of potential Three Waters Reforms

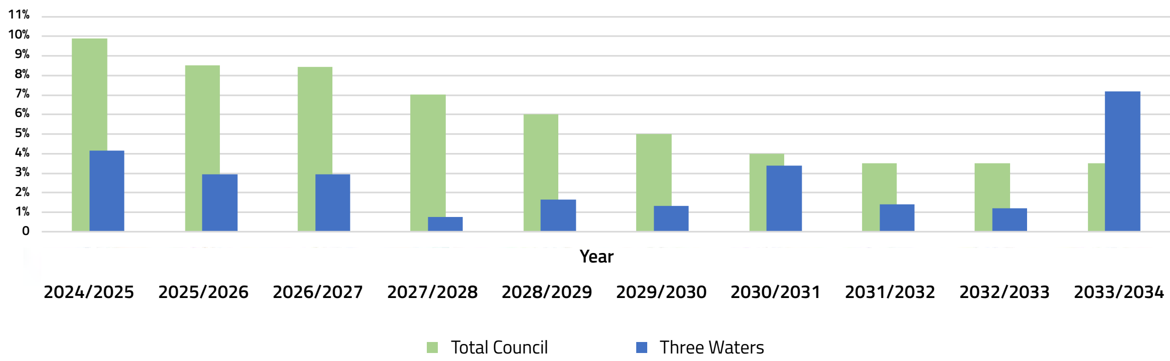
Proposals by the previous Government saw the beginning of a transition towards centralised delivery of three waters services. Under this policy, Council was expected to be transitioning its three waters on 1 October 2025 to a new entity.

Part of the proposal would have been to combine Otago and Southland's Three Waters activities. This would have had a significant effect on Council's financial strategy. With three waters going ahead in year three, rates increases would have reduced by between 1.76 – 3.57% per annum, the capital programme would have reduced significantly, there would similarly have been a significant reduction in capital, and potentially also in net debt.

The new Coalition Government which came to power in November 2023 has passed legislation repealing the Water Services Entities Act and has introduced it's Local Water Done Well Reforms. Given the uncertainty, Council has prepared this Long-term Plan and associated Strategies on the basis that it would retain its Three Waters activities.

The full impact of the Local Water Done Well Reforms is unknown at this stage but could involve regional consolidation or joint operation of water activities. These options will be explored in the first 1-2 years of this Long-term Plan.

AVERAGE RATES REVENUE % INCREASE OF THREE WATERS ACTIVITIES



Revenue and Financing Policy

Effective from July 1st 2024

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.

Council has considered the provisions of Section 101(3) before establishing this Policy.

"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 commmunity."

(Section 101(3))

It is noted that S103(3)(b) allows Council to modify the overall mix of funding that would otherwise apply after the initial analysis in S101(3)(a).

Support for principles relating to Māori

As of 1 July 2024 it is a requirement under the LGA that this policy support the principles set out in the Preamble to Te Ture Whenua Maori Act 1993.

These principles include recognition that land is a taoka tuku iho of special significance to Māori, and to facilitate the occupation, development, and utilisation of that land for the benefit of its owners, their whānau, and their hapū.

Council considers that this policy supports those principles, particularly when viewed in conjunction with Council's Rating of Māori Freehold Land Policy.

Policy for funding operating expenses

Funding sources

Operating expenses are the everyday costs associated with the services provided by Council. They include contributions to the wear and tear of assets (depreciation), interest charged on borrowing for capital projects, and general overheads. The funding for each activity is considered individually. Some activities are best funded by user charges, like pool admission fees, others with targeted rates, such as refuse collection, and others from the general rate, such as road maintenance.

Policy for funding operating expenses - Funding sources for operating costs and how they are applied by Council are as follows:

FUNDING SOURCES PER SECTION 103(2)	APPLICATION BY INVERCARGILL CITY COUNCIL
General rates, including ▪ **Choice of the valuation system**	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. Capital value is considered to provide the better proxy for the consumption of Council activities and services.
▪ **Differential rating**	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, Utilities, 1530 Tiwai Road, 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.
▪ **Uniform Annual General Charge (UAGC)**	A UAGC 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.
Targeted rates	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. 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, refuse collection, Bluff Community Board and the City Centre Co-ordinator. They allow Council to fund services by only charging those who use or have the ability to use the service. Due to the administration of separate targeted rates Council will try to avoid setting a targeted rate for less than $100,000 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. Targeted rates are set for transparency purposes rather than to create an ongoing pool or funds separately managed. Therefore any unspent targeted rates will become part of Council general funds.
Lump sum contributions	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.
Fees and charges	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. Council believes the community wishes these services to be made available so that individuals have the option to use them if they choose. Therefore, the general rate meets a level of cost to provide the option for the community use. In these cases, Council uses its judgment to set the fees at a level it believes is at an acceptable market level.

FUNDING SOURCES PER SECTION 103(2)	APPLICATION BY INVERCARGILL CITY COUNCIL
Interest and dividends from investments	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.
Borrowing	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. 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.
Proceeds from asset sales	Proceeds from asset sales will not be used to fund operational costs.
Development and financial contributions	Invercargill is forecasting growth of between 4000-5000 people over the course of the Long-term Plan, depending on various industry factors. Council desires growth, and considers that development contributions and financial contributions are likely to be an impediment to growth. A small growth in the network to support new industry is forecast. Supporting infrastructure requirements for industry growth will be dealt with on a contractual basis. Development contributions and financial contributions are therefore not applied.
Grants and subsidies	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/Waka Kotahi for roading works. The level of subsidy is set by NZTA/Waka Kotahi.
Any other source. **Special purpose investments (reserves)**	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 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.

Policy for funding 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 includes 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 indentified within 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 over a longer period of time.

Subsidy and grants

A reasonable amount of capital expenditure in the roading activity is funded from NZTA/Waka Kotahi subsidy. Council seeks to maximise the amount of NZTA/Waka Kotahi subsidy available. For some community facilities, it is posible 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 has recognised that it owns some parcels of land and assets that it may not be getting the best return on. Over the course of the Long-term Plan Council will look to sell assets (land and buildings) that are not required for operations or strategic reasons. Income from the sale of these assets will be used to reduce the net debt balance of the relevant activity, effectively reducing the level of debt Council needs to borrow. It should be noted that revenue from such sales is often limited by community and market factors and an assumption has been included to this effect.

Development and financial contributions

Council does not charge development contributions or financial contributions.

Considerartion of overall funding

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 costs 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 benefitting 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.

User charges are used for services where there is a benefit to an individual. If it is possible to efficiently impose a charge, 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 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 Council has made a judgment that the community values the existence of the facility and would rather fund it from rates than for it to close.

% OF TOTAL FUNDING	
Unlikely	0%
Minimal	0% - 20%
Low	20% - 40%
Moderate	40% - 60%
High	60% - 80%
Most	80% - 100%
All	100%

ACTIVITY	USER FEES	SUBSIDY/ PETROL TAX	INVESTMENT INCOME DIVIDENDS AND INTEREST	GENERAL RATE	TARGETED RATE
Water Supply	Low	Unlikely	Unlikely	Unlikely	High
Stormwater	Minimal	Unlikely	Unlikely	Low	High
Sewerage	Minimal	Unlikely	Unlikely	Unlikely	Most
Roading	Minimal	Moderate	Unlikely	Moderate	Unlikely
Solid Waste Management[1]	Moderate	Unlikely	Unlikely	Minimal	Low
Leisure, Recreation & Wellbeing Services					
Parks and Reserves[4]	Low	Minimal	Unlikely	High	Unlikely
Library[4]	Minimal	Minimal	Unlikely	Most	Unlikely
Aquatic Services[3]	Moderate	Minimal	Unlikely	Low	Unlikely
Arts, Culture & Heritage[4]	Low	Minimal	Unlikely	High	Unlikely
Venue Services[3]	High	Unlikely	Unlikely	Low	Unlikely
Public Transport[3]	Minimal	Moderate	Unlikely	Minimal	Minimal
Elderly Persons Housing[2]	Most	Unlikely	Unlikely	Minimal	Unlikely
Corporate & Regulatory Services					
Democratic Process	Minimal	Minimal	Unlikely	Most	Minimal
Regulatory Services	Most	Unlikely	Unlikely	Minimal	Unlikely
Corporate Services	Minimal	Minimal	Minimal	Most	Unlikely
Property	Minimal	Unlikely	Unlikely	Most	Unlikely
Investments[3]	Minimal	Unlikely	Most	Unlikely	Unlikely

Notes from the above table

1 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.

2 For Elderly Persons Housing, operational costs are fully funded by user fees. However, renewals and replacements are not covered by user fees. These costs are met in part by subsidy, and the remainder from rates. Note that rates funding is being consulted on as an option for funding capital expenditure.

3 When funding this activity, 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. Where market rates are not sufficient to meet the full costs of the service, the balance is funded from rates. External funding is relevant for some large projects.

4 The cost of having this service available is met from user fees and charges. 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.

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.

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.

Licence and enforcement fees can be charged for some services. Licence fees may be set by 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 necesssarily meet the full costs of the enforcement activity.

Reference Number: A3275564

Revision History: February 2024

Reference Number: A5077802

Effective Date: 1 July 2024

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

Supersedes:
Revenue and Finance Policy 2021

Next Review Date: 1 July 2030

Associated Documents/References:
Nil

Policy Owner:
GM Finance and Assurance

Rating of Māori Freehold Land Policy

Effective from 9 July 2021

Invercargill CITY COUNCIL

Te Ture Whakatauranga a ngā Whirīhoura 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 post-ponement of rates on Maori 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.

Rating of Māori Freehold Land Policy

Effective from 1 July 2021

Reference number: A3544519

Revision history: July 2015

Effective date: 9 June 2021

Review period: This policy will be reviewed within six (6) years unless required to be reviewed at an earlier period

Supersedes: Policy Rating Of Māori Freehold Land 2015

Next Review Date: July 2027

Associated Documents/References: Rates Postponement and Remission Policy (A2987167)

Policy owner: Manager – Strategy, Policy and Engagement

Relevant roles: N/A

Development Contributions Policy

Effective from 9 June 2021

It is Council's policy not to charge Development Contributions (Local Government Act) or Financial Contributions (Resource Management Act). Council may, on an individual basis, contract with developers to recover some addtional costs.

Reference number: A5098414

Effective date: 9 June 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: Development and Financial Contributions Policy 2015

Next Review Date: June 2027

Associated Documents/References: GM - Finance and Assurance, Invercargill City Council

Significance and Engagement Policy

Ngā ture whaihua whaipaparangi

Invercargill
CITY COUNCIL

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 Tauira – 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.

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

A. Assessment

Thresholds and criteria for determining Significance:

HIGH/LARGE IMPACT → **DEGREE OF SIGNIFICANCE** → **LOW/LITTLE IMPACT**

- Importance to the Council – the extent to which the matters impact on the social, cultural, economic or environmental wellbeing of the district
- Community Interest – the extent to which individuals, organisations, groups and sectors in the community are affected by Council's decisions
- Inconsistency with existing policy and strategy – the extent of inconsistency and the likely impact
- The impact on Council's capability and capacity – the impact on the objectives set out in the Financial Strategy, Ten Year Plan and Annual Plan
- Cost to Council and impact on funders, including ratepayers

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

When making this determination other factors may also need to be considered; e.g. urgency, uncertainty, reversibility, safety, commercial sensitivity and public good.

B. Strategic Assets

Any decision relating to the sale or transfer or sale of shareholding of any significant strategic assets is assessed as a matter of high impact and will trigger the Special Consultation Process. To clarify:

- Any decision that transfers or changes ownership or control of strategic assets to or from Council
- The sale or transfer of shareholding of any of the Significant Strategic Assets (outlined in Schedule 1)
- Any long term lease of strategic assets (other than land)

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:

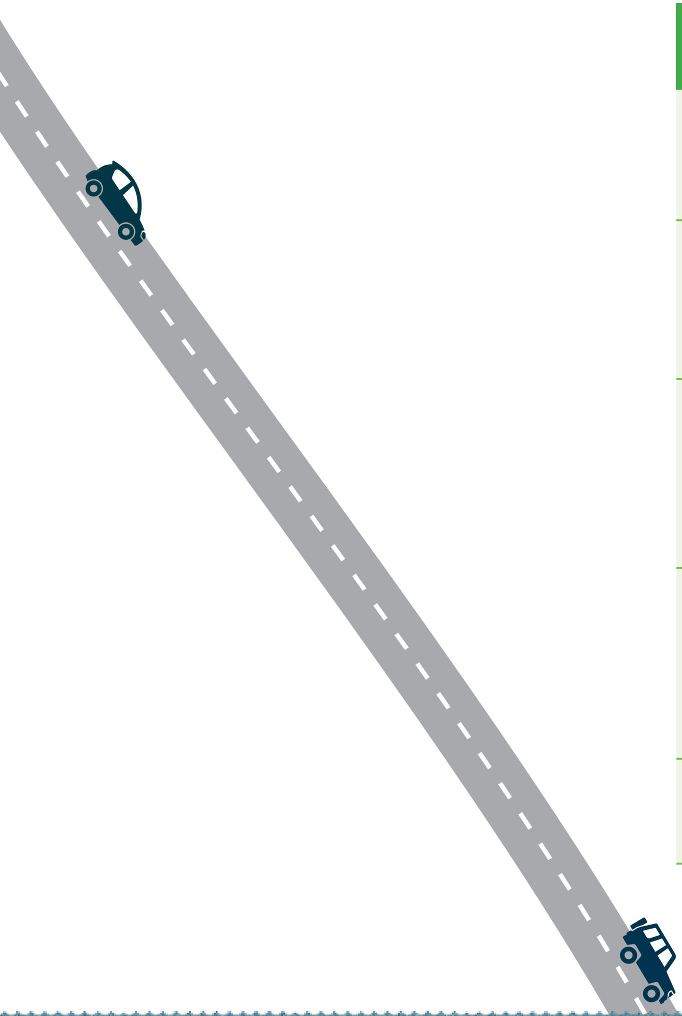
- We will take a partnership approach to develop open and transparent relationships with Mana Whenua
- We will go where the people are, at events in different locations and online
- We will be genuine in our consultation and engagement, using active listening and different approaches to engagement
- 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
Inform	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
Consult	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
Involve	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
Collaborate	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
Empower	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:

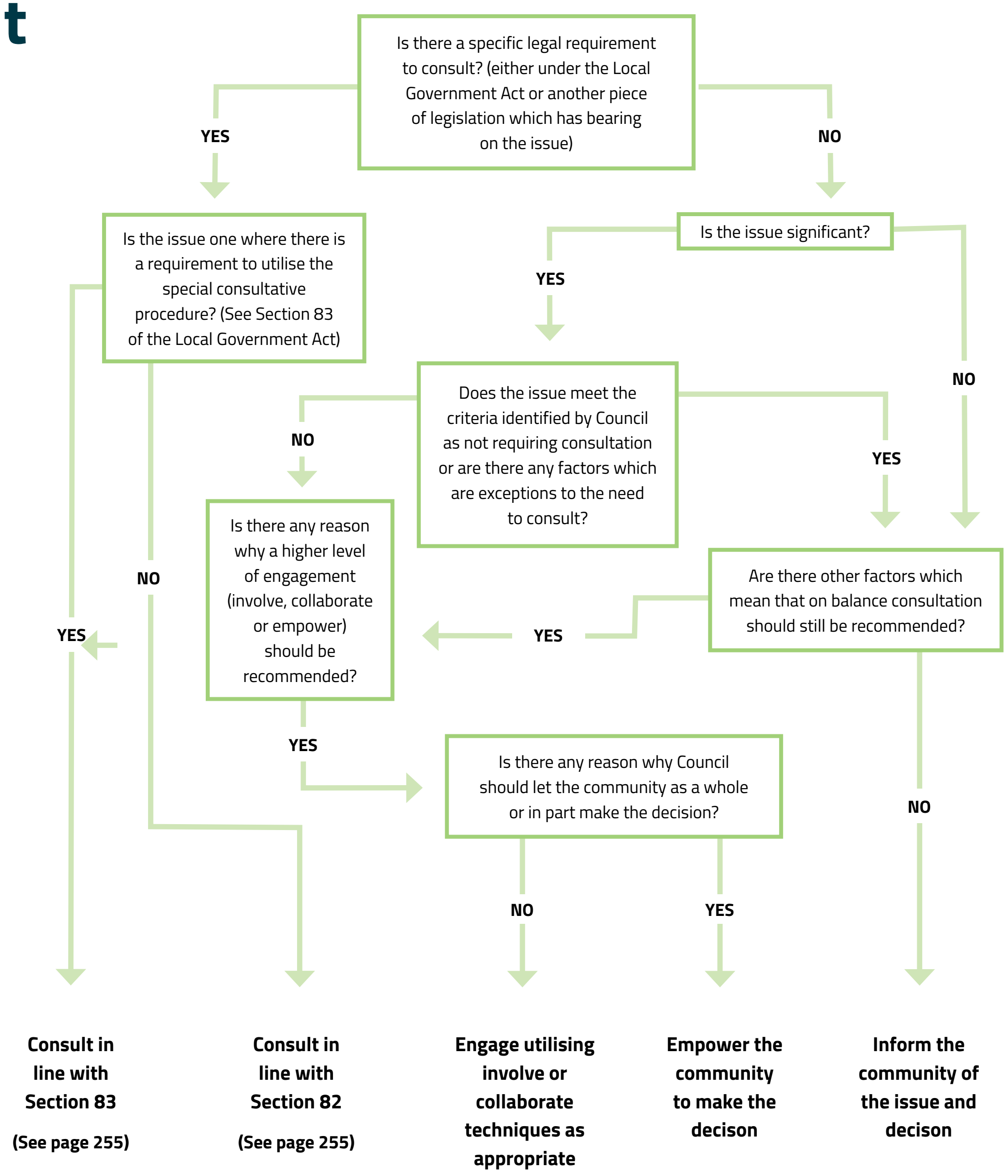
- The nature and significance of the decision or matter, including its likely impact from the perspective of the persons who will or may be affected by, or have an interest in, the decision or matter;
- That Māori are a partner in any engagement and we will work with Iwi to determine the level of engagement 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 255.

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 (97.47% 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

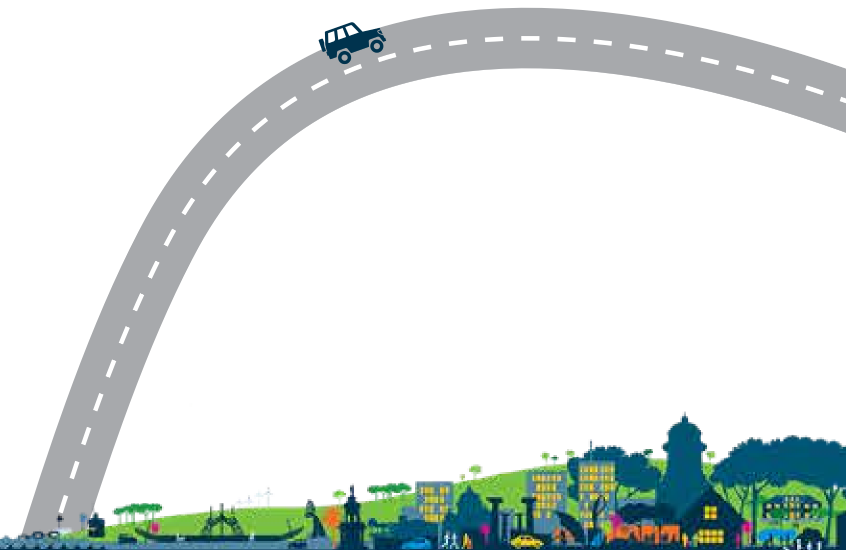
Consult / Involve

- 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.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