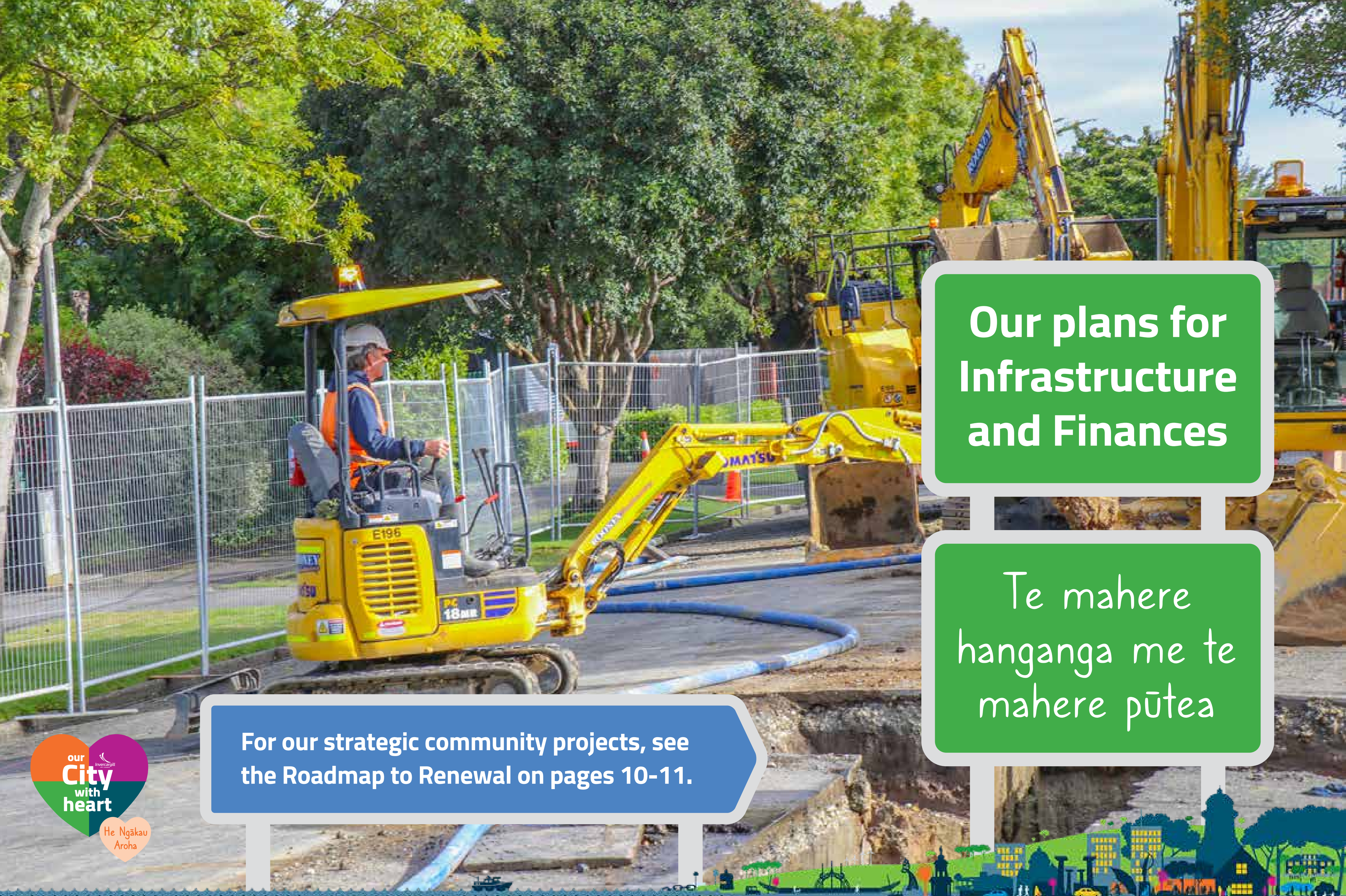


Our plans for Infrastructure and Finances

Te mahere hanganga me te mahere pūtea

For our strategic community projects, see the Roadmap to Renewal on pages 10-11.

Our plans for infrastructure and finance

Te mahere hananga me te mahere pūtea

Our plan for the next 10 years is to:

- Increase spending where required to maintain levels of service.
- Increase levels of service where necessary to meet changing regulatory requirements and where we've heard from the community you expect more.
- Undertake essential capital works to improve the resilience of our Three Waters network and lift standards to meet Central Government requirements.
- Fund the programme by increasing rates and increasing borrowing to a manageable level, including increasing the debt ceiling.
- Plan for delivery of the major projects you want to see by seeking grants and dividends, partnerships and some increases in user pays.
- Our planned capital expenditure for 2024/2025, the first year of the Long-term Plan, is $82.5 million.
- Over the 10 years of the plan we forecast spending $841.8 million on capital.
- Our planned operational expenditure for 2024/2025 is $108.2 million (excluding depreciation).
- Over 10 years of the plan we forecast spending $1.3 billion on operations (excluding depreciation).
- The average rates increase for 2024/2025 will be 9.88%*.
- Over the 10 years of the plan it will increase each year between 3.50% and 9.88%*.
- Council will run an unbalanced budget in 2024/2025 and 2025/2026 as a result of reducing the amount of depreciation funded by rates in order to maintain rates affordability. Depreciation will be incrementally increased and the budget will return to balance from 2026/2027.

*Excludes rating base growth and rates penalties

Our plans for infrastructure

Te mahere hananga

We have an ambitious capital programme to deliver over the next 30 years. (See pages 7-11 for more information about our Roadmap to Renewal projects and Page 44 for information on our plans for water).

We are investing to improve the information we have about our assets and are working closely with our contractors to ensure we deliver the work the community needs. Nevertheless, we know we still have some way to go to improve delivery. We have forecast our spending to carefully align with what we believe we can deliver. We are focusing investment on our most critical assets.

Some less critical work will need to be delayed in order to manage expenditure. Any delays in delivery of the capital programme could result in increased maintenance costs.

Replacement of failing assets will be managed through reprioritsation 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 required, which will also reduce our interest costs. There is still room to increase the debt ceiling further in future years to deal with any peaks in capital work should debt be determined to be the best way to fund.

Key activities

Ngā ngohe matua

Council's approach to investment in infrastructure is to invest at the level required to maintain levels of service and to focus investment on critical areas. A full list of capital projects is available by activity area in the "What We Do" section.

Capital Programme

Built Infrastructure

$23.9m
Maintenance of Council buildings including the Civic building, Te Unua, Bluff Service Centre, Civic Theatre, pool and libraries

Roading*

$95.5m
Investment in roading surfacing, signage and drainage

$20.2m
Footpath renewals and parking meters

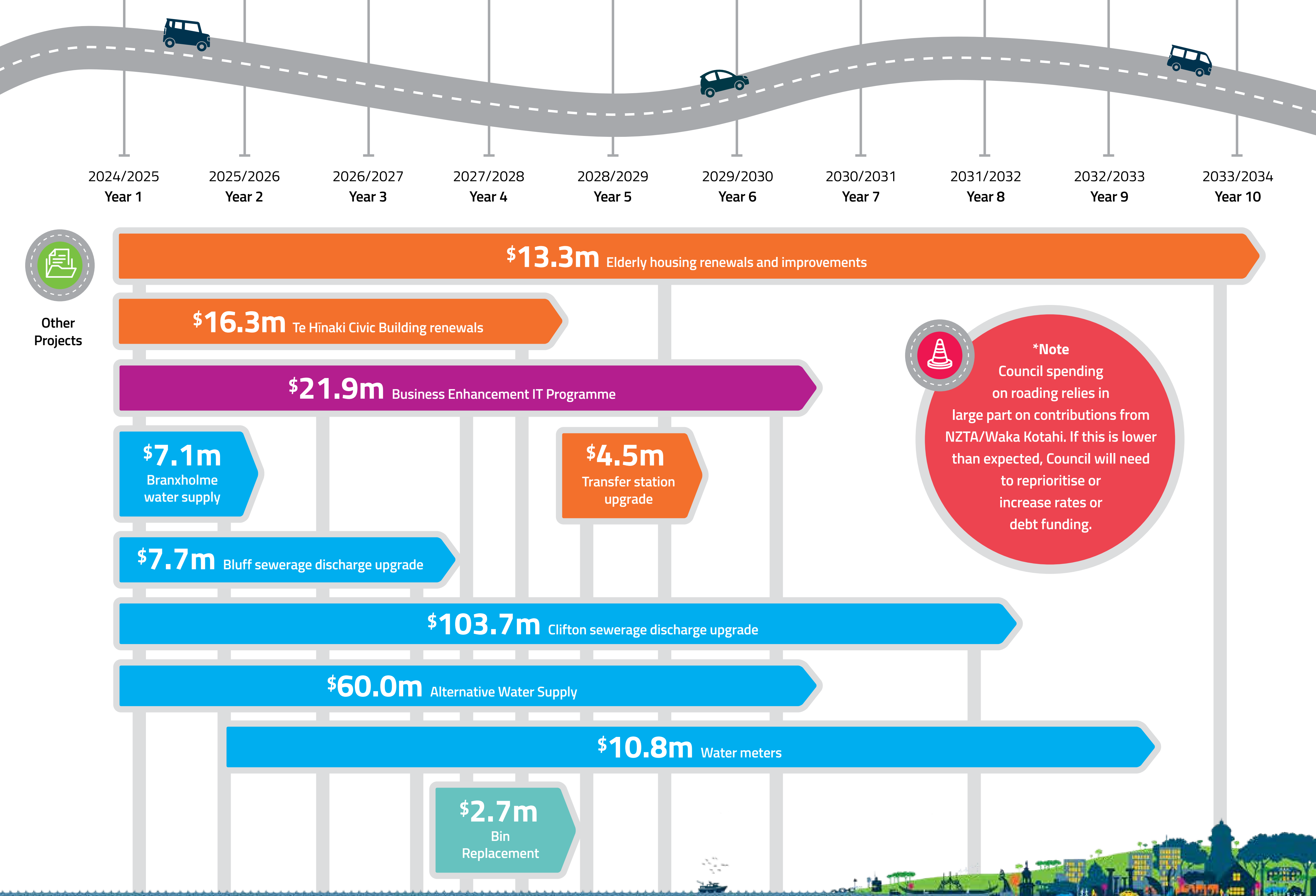
$27.0m
Safety improvements

Three Waters

$16.5m
Investment in treatment plants

$208.6m
Investment in our water, stormwater and sewerage pipe networks

$39.5m
Investment in pumping stations


2024/2025
Year 1
2025/2026
Year 2
2026/2027
Year 3
2027/2028
Year 4
2028/2029
Year 5
2029/2030
Year 6
2030/2031
Year 7
2031/2032
Year 8
2032/2033
Year 9
2033/2034
Year 10
Other Projects
$13.3m Elderly housing renewals and improvements
$16.3m Te Hīnaki Civic Building renewals
$21.9m Business Enhancement IT Programme
$7.1m Branxholme water supply
$4.5m Transfer station upgrade
*Note
Council spending on roading relies in large part on contributions from NZTA/Waka Kotahi. If this is lower than expected, Council will need to reprioritise or increase rates or debt funding.
$7.7m Bluff sewerage discharge upgrade
$103.7m Clifton sewerage discharge upgrade
$60.0m Alternative Water Supply
$10.8m Water meters
$2.7m Bin Replacement

Three Waters

Kā Wai e Toru

Water is essential to life. Our Council is committed to taking care of the Three Waters assets – water, sewerage and stormwater - which keep the heart of the city pumping.

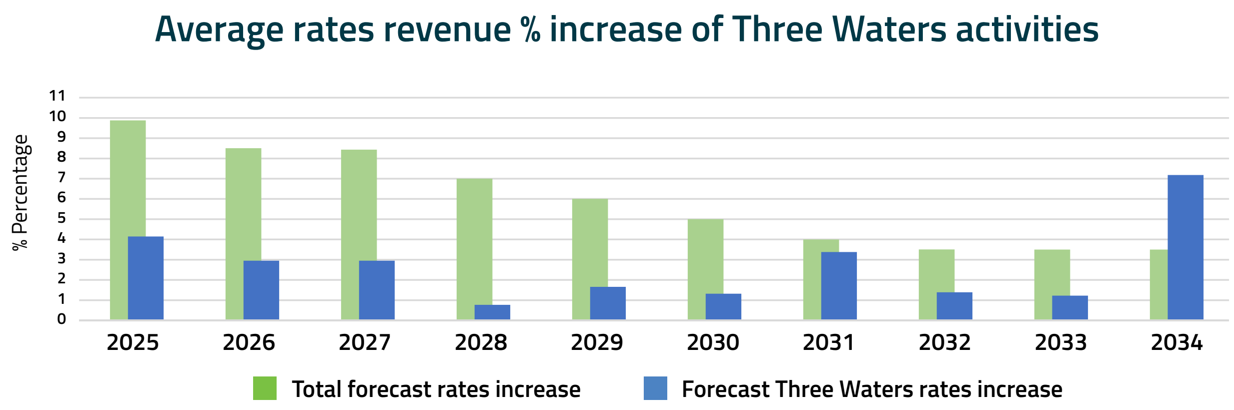
Invercargill City Council was established in 1871. While we have just celebrated our 150th anniversary, this means that many of our core infrastructure assets, like pipes, are coming to the end of their useful life. This is something affecting communities all around the country - how we respond now is crucial. We have proceeded with our planning on the basis that irrespective of who delivers the service, you, our community, needs to understand the challenge in front of us. We have budgeted for 10 years of activity and presented all the decisions ahead of the community in our Infrastructure Strategy.

We have invested in improved information about our assets and improving our management approach. Now, and over the next 30 years, we will need to invest more to replace and upgrade important parts of the system. This is going to mean rates rises to pay for this essential work.

In response to the change in Government, we plan to explore whether a new Council Controlled Organisation to hold our Three Waters assets and deliver improvements would make sense. This could be part of the Invercargill City Holdings Group or may be part of a broader group.

Here's some key things that are important for you to know about our plans:

- We are focusing on replacing critical assets and will work others harder, maintaining them for longer to manage the investment needed.
- Our assets are becoming more and more expensive to replace as a result of rising prices and new regulatory requirements. How we save for and repay debt needed to pay for these renewals is a key part of our financial strategy.
- We are focusing on how we deliver an alternative water supply for the city. We need to undertake more testing to check the reliability of the supply in the aquifer we have found. Then there will be significant investment of an estimated $60.0 million required to access, treat and supply the water to the city.
- We are working with Central Government and our Iwi partners around how we plan for the changes that are likely to be required to the way we discharge wastewater. The funding we have put aside for wastewater discharge, includes $103.7 million for Clifton and $7.7 million for Bluff, is some of the largest in our programme and further investment may be required.



Note: the majority of water services are paid for through targeted rates. The rates rise you will see will depend on which services – water, sewerage and stormwater – you receive. Fees for commercial users of water will also need to rise.

What's our plan for income?

Te mahere whai pūtea?

Our financial strategy lays out how we will fund our assets and activities. We've made a number of changes this LTP with the goal of striking the right balance between rates and other sources of funding and spreading the costs fairly now and into the future.

Managing costs

We've worked hard to ensure we're investing the right amount in the assets the city needs while keeping costs down. We've achieved this through prioritising our critical infrastructure and stretching out replacement schedules for some other types of infrastructure.

Using the right type of funding

We've adjusted the way we're funding depreciation (putting money aside every year to pay for replacement of assets, as they age). Inflation has caused a big increase in the value of our assets which makes replacing them more expensive.

We're planning to fund from rates 75 - 100% of most types of depreciation in this plan, which means more costs will need to be met further in the future. We believe we have the balance right on this as we intend to keep some assets working longer before we replace them.

We have planned for a higher level of debt over the next 10 years. Council uses what is called a debt ceiling to manage the risk of taking debt on. The debt ceiling is the maximum amount of debt we will hold at any one point compared to revenue. In recent years we have kept our debt below 150% of revenue (the legal limit for Local Government is 280%). We propose raising this to 180% for 2024/2025 to 2027/2028 and 200% between 2028/2029 and 2031/2032 when we plan to be funding the highest level of infrastructure projects. Thereafter the debt ceiling will decrease to 190%.

Raising more revenue

One way to reduce the amount of rates we need to raise is to increase other sources of revenue.

We've consulted on a range of increases to fees and charges to better balance the cost of providing services between ratepayers and the users of services. Some of the more significant increases we are planning are increases to commercial water rates and trade waste levies.

Council's Holding Company (ICHL) owns a number of important assets for the city. We have asked the Holding Company to make sure we are balancing holding strategic assets and getting a good financial return. As a result of planned sales we are expecting an additional $4 million special dividend each year for the 10 years of the plan, increasing the annual dividend to at least $9.5 million.

We are planning to sell some under-utilised land to make it available to the community for other purposes and to reduce maintenance costs. We forecast raising $14 million from land sales – this is a conservative estimate and we hope to achieve more.

Rates

The amount of rates you will pay depends on the value of your property and the services you will receive.

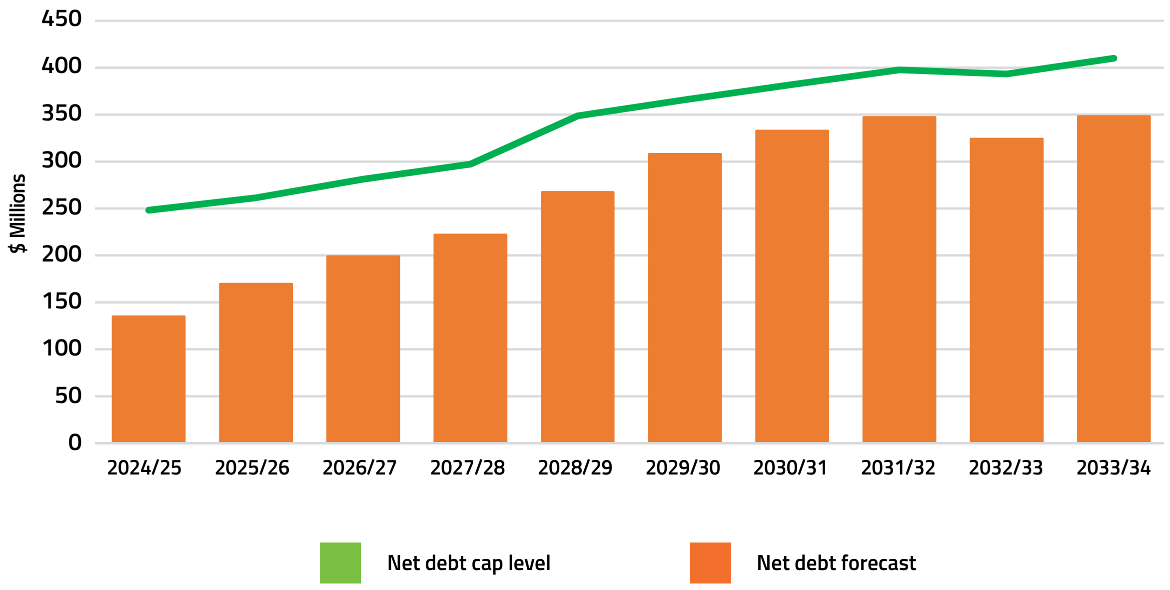
What's our plan for net debt?

Te mahere moni tārewa?

Using debt is one way to spread the costs of assets that will benefit the community for many years between the people living here now and those who will be here in the future.

To help fund our major projects like Te Unua - Museum of Southland and our infrastructure programme we need to take on more debt. The chart shows our plan for taking on more debt, increasing and then reducing our debt ceiling again. In putting together this plan we have focused on maintaining some debt head room if the Holding Company (ICHL) needs it and maintaining our AA+ credit rating, which keeps the cost of borrowing down.

Total net debt 2024 - 2034



What is net debt?

Net debt = Total borrowings less cash investments

What does it mean for you and your rates?

He aha ngā whakaritenga māu, me ōu reiti?

The average rates increase for the first year of the plan is 9.88%*.

Every property will have different rates dependent on the value of the property and the services received. The city property revaluation shows that there have been considerable increases in value across the city, with some suburbs and types of property particularly impacted.

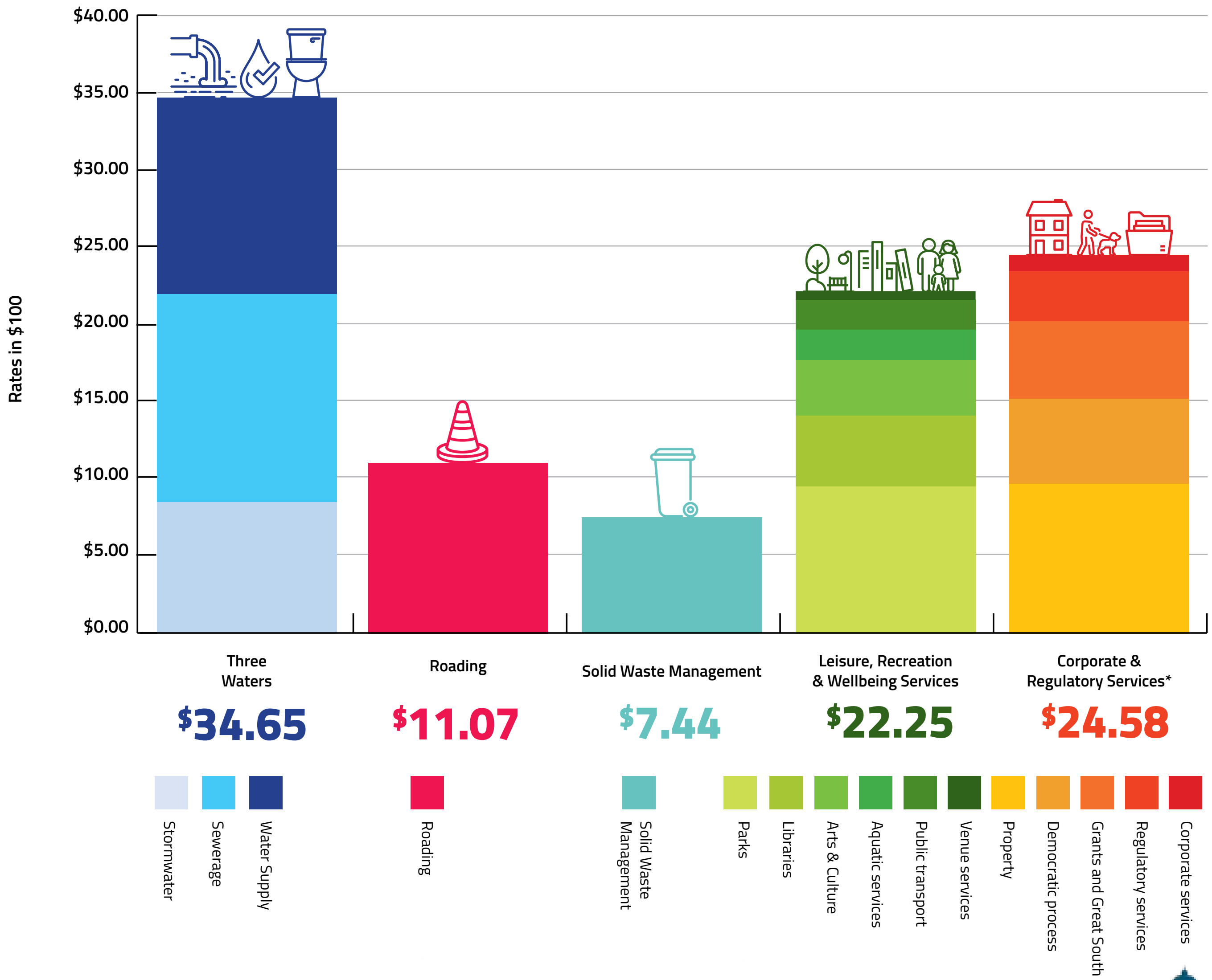
We use these revaluations to calculate the "slice of the pie" of the rates that each property pays.

There have been some changes to the rating policy, including the differentials which have slightly changed the balance of payment between different types of ratepayers.

*Excludes rating base growth and rates penalties

Where will your rates go?

Where, on average every $100 of rates will be spent in the first year of the Plan.



Average rates changes

Te Aka panoni reiti

The average charge for each property type are shown below. However, properties within each type will have different ratings based on their value and services received.

Residential

Average increase

9.25%

2023 Valuation $454,911

Proposed Other Rates 2024/25: **$1,993**
Proposed Three Waters Rates 2024/25: **$1,056**
Proposed Total Rates 2024/25: $3,049

Lifestyle

Average increase

13.49%

2023 Valuation $756,854

Proposed Other Rates 2024/25: **$2,658**
Proposed Three Waters Rates 2024/25: **$138**
Proposed Total Rates 2024/25: $2,796

Commercial/ Industrial

Average increase

14.96%

2023 Valuation $1,306,597

Proposed Other Rates 2024/25: **$4,976**
Proposed Three Waters Rates 2024/25: **$3,039**
Proposed Total Rates 2024/25: $8,015

Farming/ Agriculture

Average increase

6.29%

2023 Valuation $1,328,371

Proposed Other Rates 2024/25: **$2,814**
Proposed Three Waters Rates 2024/25: **$18**
Proposed Total Rates 2024/25: $2,832

Auditor's Opinion

Ngā kōrero a te kaitātari kaute

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report on Invercargill City Council's 2024-34 Long-term Plan

I am the Auditor-General's appointed auditor for Invercargill City Council (the Council). The Local Government Act 2002 (the Act) requires the Council's long-term plan (plan) to include the information in Part 1 of Schedule 10 of the Act. Section 94 of the Act requires an audit report on the Council's plan. Section 259C of the Act requires a report on disclosures made under certain regulations. I have carried out this work using the staff and resources of Audit New Zealand. We completed our report on 27 June 2024.

Opinion

In our opinion:

- the plan provides a reasonable basis for:
  - long-term, integrated decision-making and co-ordination of the Council's resources; and
  - accountability of the Council to the community; and
- the information and assumptions underlying the forecast information in the plan are reasonable; and
- the disclosures on pages 269 to 274 represent a complete list of the disclosures required by Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations) and accurately reflect the information drawn from the plan.

In accordance with clause 45 of Schedule 1AA of the Local Government Act 2002, the consultation document on the Council's plan did not contain a report from the Auditor-General. The consultation document is therefore unaudited. Our opinion on the plan does not provide assurance on the consultation document or the information that supports it. This opinion does not provide assurance that the forecasts in the plan will be achieved, because events do not always occur as expected and variations may be material. Nor does it guarantee the accuracy of the information in the plan.

Emphasis of matter
Without modifying our opinion, we draw attention to the following disclosure.

Uncertainty over the delivery of the infrastructure capital programme
Pages 222 and 235 outline that the Council is proposing a significant increase in its infrastructure capital programme over the next 10 years. Although the Council has endeavoured to budget for a programme that is deliverable, there is uncertainty over whether the Council can deliver the projects it has planned. There is also uncertainty whether the infrastructure construction industry will be able to meet local government demand in the coming years. If the Council is unable to deliver on the planned programme, projects may need to be delayed which could affect cost and intended levels of service.

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

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

Our procedures included assessing whether:

- the Council's financial strategy, and the associated financial policies, support prudent financial management by the Council;
- the Council's infrastructure strategy identifies the significant infrastructure issues that the Council is likely to face during the next 30 years;
- the Council's forecasts to replace existing assets are consistent with its approach to replace its assets, and reasonably take into account the Council's knowledge of the assets' condition and performance;
- the information in the plan is based on materially complete and reliable information;
- the Council's key plans and policies are reflected consistently and appropriately in the development of the forecast information;
- the assumptions set out in the plan are based on the best information currently available to the Council and provide a reasonable and supportable basis for the preparation of the forecast information;
- the forecast financial information has been properly prepared on the basis of the underlying information and the assumptions adopted, and complies with generally accepted accounting practice in New Zealand;
- the rationale for the Council's activities is clearly presented and agreed levels of service are reflected throughout the plan;
- the levels of service and performance measures are reasonable estimates and reflect the main aspects of the Council's intended service delivery and performance; and
- the relationship between the levels of service, performance measures, and forecast financial information has been adequately explained in the plan.

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

Responsibilities of the Council and auditor

The Council is responsible for:

- meeting all legal requirements affecting its procedures, decisions, consultation, disclosures, and other actions relating to the preparation of the plan;
- presenting forecast financial information in accordance with generally accepted accounting practice in New Zealand; and
- having systems and processes in place to enable the preparation of a plan that is free from material misstatement.

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

Independence and quality management

We have complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the requirements of Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board. PES 1 is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour; and
- quality management requirements, which incorporate the requirements of Professional and Ethical Standard 3 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements (PES 3) issued by the New Zealand Auditing and Assurance Standards Board. PES 3 requires our firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

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

Chris Genet

C Genet

Audit New Zealand
On behalf of the Auditor-General,
Christchurch, New Zealand