

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

POPULATION ¹	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 on whether the Tiwai Point smelter closes or remains open, and whether or not various industries are developed as envisaged in the Beyond 2025 Regional Long Term Plan.	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.
Population growth - Tiwai remains open If Tiwai Point remains open, it is projected that the population of Invercargill will increase by a little over 5,000 people over the course of the Long-term Plan.	Moderate/ Likely	Medium	Minor	Tiwai remaining open may result in further investment in power to support new industries. Council will continue to advocate for this to Central Government.
Population growth - Tiwai closes With the closure of Tiwai Point growth in population of just over 4,000 people is expected.	Unlikely	Medium	Moderate	Council has participated in the Just Transitions programme to support transition in the case of Tiwai closure and will continue to liaise with the Enduring Oversight Committee to support the community.

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

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

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.
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 aging to some extent this is not expected to be of a high enough level to counter the known level of aging. Council is considering how to respond to changing housing needs for older people through provision of elderly housing, adjustment to the District Plan and potential partnership projects. Impacts on other services including public transport, libraries and pools (e.g. hydrotherapy pool) are being planned for.
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.

SOCIAL	Likelihood	Certainty	Consequence	Council response
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.
Community resilience Tiwai Point Aluminium Smelter is expected to continue operating for the time of the Long-term Plan. Should Tiwai close this is expected to have an impact on community resilience.	Unlikely	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 announcement of closure.
Community resilience Although the Zero Fees scheme has been extended through 2024 for Southern Institute of Technology Te Pūkenga, it is unlikely to continue throughout the life of the Long-term Plan. This will have an uncertain level of negative impact on Invercargill's population and economy.	Likely	Low	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.

³ Infometrics report "Economic update for Long Term Planning for Invercargill City Council", April 2022, p11

⁴ RBNZ "Household inflation expectations (H1)", August 2023

				Changes in this assumption are not expected to have a significant impact on financial modelling but rather impact the environment which Council operates in.
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.
ECONOMIC	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 – \$1.5 million per annum for the first 3 years of the plan. Council capital costs would increase by \$0.3 - \$1.5 million per annum for the first 3 years of the plan

⁵ Rationale report "Murihiku Southland Housing Needs Assessment", May 2023, p26

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 /d. p15-18

				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.
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

⁹ Beyond 2025 Southland Regional Long Term Plan, p20-21

¹⁰ *Id.*, p20

				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 \$14m annually as a result of the investment until 2030. ¹¹	Likely	High	Moderate	Council remains strongly committed to its vision “Our City with Heart – He Ngākau Aroha.” Any divergence from this vision could impact the financial viability of ICL but is not expected. Further investment may be required either in the City Block or associated city streets improvements.
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.

¹¹ NZIER report “Invercargill CBD regeneration”, May 2023, p17

¹² Beyond 2025 Southland Regional Long Term Plan, p56

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 is likely to 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.
ENVIRONMENTAL	Likelihood	Certainty	Consequence	Council response
Mean annual and extreme temperature (days where temp. exceeds 25C) are expected to increase with time: By 2040: mean annual temperature increase of 0.5-1.0C with 0-10 more hot days per annum. By 2090: mean annual temperature	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

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

increase of 0.7-3.0C, with 5-55 more hot days per annum.				capital programme until more accurate data and modelling is complete.
Annual rainfall is expected to increase By 2040: +0-10% B 2090: +5-20% Increased frequency of high rainfall days, i.e. increase in intensity of rainfall.	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 Branhholme 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.
Mean sea level is expected to rise	Uncertain	Low	Major	There remains significant modelling which must be completed at a regional

By 2040: 0.2-0.3m By 2090: 0.4-0.9m				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. The Regional Council-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. Council would fund response to a natural disaster primarily via debt.

¹⁵ <https://af8.org.nz>

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. There is no forecast impact on water quality due to the location of the sites below the drinking water catchments.
CULTURAL	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 the PMO.
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.

¹⁶ www.project1225.co.nz

¹⁷ Southland CBD Rejuvenation Community and Business Survey Report, March 2023, p9

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.
COUNCIL OPERATIONS	Likelihood	Certainty	Consequence	Council response
Water Reform¹⁸ 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.	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. It is noted that further legislation to enable a possible CCO structure is yet to be passed.

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

- 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.				
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.

The Funding Assistance Rate (as advised from Waka Kotahi) NZTA will continue at 51% funding assistance until 2026/27. It is assumed that it will then remain at 51% for the life of the plan.	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.
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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.
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 \$80 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 Affordable Water 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. There may be a higher risk of asset failure meaning assets will be sweated longer and repairs and maintenance will increase. Emergency rather than planned replacement may become more frequent.
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	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%	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.	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 – \$1.5 million per annum for the first 3 years of the plan. Council capital costs would increase by \$0.3 - \$1.5 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.

Asset revaluation Asset values will increase by the accumulated Local Government Cost Index inflation forecast by BERL on the last valuation value. Revaluation occurs in 2024/25 and every third year thereafter.	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 was 0.5% higher than forecast this would increase Council Property, plant and equipment revaluation gain / (loss) by \$0.5 million in 2024/2025.
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%	Likely	High	Low	Regular reviews of appropriate rates incorporating asset life and value data are undertaken as part of the asset revaluation process.

Wastewater treatment plants 6.4% Water other assets 2.1% Water treatment plants 2%				
Interest rates - Borrowing Expected interest rates on borrowing will be 4.0%	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 5.0% in Year 1, 4.5% in Year 2, 4.0% in Year 3.	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.
Dividends from ICHL	Likely	Medium	Minor/ Moderate	There would be a negative impact on Council's overall revenue and cash position if the dividend level was not

Dividends will be minimum \$5.2 million, plus an additional \$4 million special dividend for the ten years of the Long-term Plan, resulting in a combined dividend rate of \$9.2 million.				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 \$2.2 million in 2024/2025, \$1.6 million in 2025/2026, \$10.6 million in 2026/2027, and \$0.2 million in 2027/2028.	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.