

2024 – 2034 LONG-TERM PLAN DELIBERATIONS

To: Council

Meeting Date: Tuesday 14 May 2024

From: Rhiannon Suter, Manager – Strategy, Policy and Engagement

Approved: Patricia Christie - Group Manager - Finance and Assurance

Approved Date: Thursday 9 May 2024

Open Agenda: Yes

Purpose and Summary

This report is to provide Council with the opportunity to finalise deliberations for the Long-term Plan.

Recommendations

That Council:

1. Receive the report “2024 – 2034 Long-term Plan Deliberations”
2. Note that the draft LTP budget will now be prepared on a 2023/24 forecast deficit of \$12.6 million as the opening position, rather than the \$9.2 million deficit originally consulted on, and the \$8.4 million forecast in the Annual Plan.
3. Confirm the following changes to the assumptions:
 - a. Maintain current primary inflation settings of 3% for capital and 2.9% operational for 2024/2025. Increase staff costs inflation from 3.0% to 3.5% for 2024/2025 and 2025/2026 and add a separate insurance inflation assumption of 12%.
 - b. Note that the \$1.2 million increase in insurance budget for 2024/2025 has a 1.76% rates increase implication and incorporates a \$206,000 saving in premium which increases Council self-managed risk.
 - c. Increase interest rates – borrowing from 4% across all ten years to 4.25% in 2024/2025, and 4.5% thereafter, noting the change will result in a \$474,000 increased expenditure, equivalent to 0.67% increase in rates and incorporates changes in the capital programme and the 2024/2025 funding deficit.
 - d. Increase interest rates – investments from 5% to 5.5% in 2024/2025, 4.5% to 5% in 2025/2026, 4% to 4.5% in 2026/2027 and remain at 4% thereafter, noting the increased forecast revenue of \$714,000, equivalent to a 1.02% reduction in the rates increase and incorporates \$403,000 from ICHL Ltd advance.
 - e. Note the high level of uncertainty associated with a number of the assumptions particularly those that relate to external funding for Council activities, as well as the risks outlined in this report.

4. Elderly Housing – Agree **one** of the following:
 - a. Agree Option 1 (Council's preferred option at consultation) Provide \$7.7 million from rates to replace for Elderly Persons Housing units faster, with 0.08% rates increase in 2024/2025 with additional annual increases adding to a total 0.61% by 2030/2031.
 - b. Option 2 – Maintain the current funding policy and reduce the speed of replacement of houses and removing \$7.7 million capital from the budget therefore removing the increases from Option 1.

5. Carbon Emissions Reduction - Agree **one** of the following:
 - a. **Option 1** (Council's preferred option at consultation) Allocation of \$200,000 a year for Council to use to implement carbon emission reduction.
 - b. **Option 2** No change to the current ad-hoc approach to carbon emissions reduction.
 - c. **Option 1 with funding reduction** – Allocation of \$100,000 a year for Council to use to implement carbon emission reduction, resulting in an 0.14% rates saving against Council's budgeted preferred option (noting this item is included in the further adjustments under Recommendation 14).

6. Glass Recycling - Agree one of the following:
 - a. **Option 1** (Council's preferred option at consultation) Introduce a new 140l fortnightly blue glass recycling bin collection service – 0.84% rates impact.
 - b. **Option 2** – Maintain current bins for kerbside recycling and provide eight additional new bottle banks (six in Invercargill and two in Bluff) for those who want to continue to recycle glass – 0.34% rates impact.
 - c. **Option 1 delayed until 2026/2027** Introduce a new 140l fortnightly blue glass recycling bin collection service – No rates impact in 2024/2025, no rates impact in 2025/2026, no rates impact in 2026/2027, 0.73% rates impact 2027/2028 ongoing.

7. **Agree/ disagree** to the following changes to the Long-term Plan Activities and Levels of Service Key Performance Indicators:

Water:

 - a. Note the update to DIA Performance Measure One - Drinking Water Standards, in line with the new Drinking Water Standards and guidance from Taituarā.

Sewerage:

 - b. Note updated wording to Sewerage DIA Performance Measure 3 – fault response time, in line with DIA guidance.

Roading:

 - c. Note prioritisation of the Salford School roading realignment as part of existing local safety roading budget.
 - d. Note the South Alive request for further upgrades to South City Street environs and that no further renewals are currently scheduled.
 - e. Note the request for a new Welcoming Sign to Invercargill, at a forecast cost of \$10,000 - \$30,000 and that this could be considered in the future.
 - f. Note that the wayfinding sign at Ōreti Beach conveys the correct information and no change is recommended at this time.
 - g. Note the issue of cycling is a matter for consideration of future planned strategic work on integrated transport.

Solid Waste:

 - h. Confirm the updated targets for the Regional discarded rate per person per annum (kgs) to less than or equal to 650 kgs for 2024-2030, and less than or equal

to 585 for 2030-2034, in line with the Southland Waste Management and Minimisation Plan (WMMP) and legislation.

Property:

- i. Note the required correction to the property renewals programme.
- j. Note the required correction to the public toilets renewals programme.

Parks and Reserves:

- k. Note there is an existing ranger service supporting Ōreti Beach – No recommended change.
- l. Note that a new interpretation panel at Ōreti Beach is planned for 2024/2025 within the Parks existing renewals budget. No recommended change.
- m. Note that urban play will be considered in alignment to the wider Play Strategy, including facilities at Queens Park.
- n. Note that accessibility of trails within Sandy Point will be considered as part of the Masterplan and in response to feedback the connection to the Anderson Park trail to be improved within existing budgets.
- o. Advise the Waverley Park Hub group of the opportunity to seek feasibility study funding from a range of community funding sources including Active Communities and the Community Wellbeing Fund.
- p. Note that if the Low Mow pilot is ended early operational expenditure will need to increase by \$63,000 (0.09% rates impact in 2024/2025).
- q. Note the Elizabeth Park Strategy work is planned for 2024/2025. No recommended change to budget allocation for toilets until completion of the strategic work.

Arts and Culture:

- r. Confirm the revised targets for He Waka Tuia Number of onsite and off-site exhibitions which celebrate our collections and the stories of Southland to 12 exhibitions per annum (4 off-site, 8 onsite) and the updated wording.
- s. Confirm the updated wording for the Te Pātaka Taoka Southern Regional Collections Facility annual number of school class visits performance measure.
- t. Note that there may be changes to He Waka Tuia performance measure targets and that the matter of the IPAG requests will be considered following the Community Wellbeing Committee meeting on 14 May.
- u. Note the request from Arts Murihiku for \$50,000 additional operational funding and advise them of the opportunity to apply to the Community Wellbeing Fund.
- v. Note the request from Te Kupeka Tiaki Toaka Southern Regional Collection Trust for \$300,000 operational funding and advise them of the opportunity to apply to the Regional Heritage Committee and the Community Wellbeing Fund.

Regulatory:

- w. Note that Council has worked with Public Health on signage and community engagement previously and this can be continued within existing budgets, noting the availability of Ministry of Health signage.
- x. Confirm that a 'Code Compliance Certificates are issued within statutory timeframe' performance measure is added to the Regulatory Services Activity, with a target of 100% delivery.
- y. Note the change from 'Building consents are granted within 20 working days' to 'Building consents are granted within statutory timeframe' and yearly targets to '100% of building consents are granted within statutory timeframe'.
- z. Note the change from 'Non-notified resource consents not requiring a hearing are granted within 20 working days' to 'Non-notified resource consents not requiring a hearing are granted within statutory timeframe' and yearly targets to '100% of non-notified resource consents are granted within statutory timeframe'.

Democratic Process:

- aa. Note the \$41,700 funding request from Te Runaka ō Awarua and advise the opportunity to apply to the Community Wellbeing Fund.
- bb. Note the request from the Multicultural Council for a Migrant Hub and suggest engagement with the Saving Grace team and other community venues and/or regional funders to explore potential use of those facilities and/ or opportunity for a scoping study for a migrant hub in the future.
- cc. Note that Council supports Connected Murihiku through providing governance support to the Joint Committee and administering the contract. Consideration as to whether Council wishes to provide further support would be appropriate at the next stage in the project towards the end of 2024/2025.

Corporate Services:

- dd. Confirm the capital funding increase of \$80,000 for 2024/2025 to allow for timing adjustments to the programme.

Passenger Transport:

- ee. Confirm one of the following options brought forward from the 7 July 2024 Infrastructure Committee meeting:
- ff. Retain the subsidised fare levels for passengers approximate cost \$95,000 (12 years old and under – free. b. 13 to 25 years old – half fares. c. Over 25 – full fares), equivalent to 0.13% rates increase
- gg. Retain free fares for 12 years and under, retain half price fares for youths from 13 to 18 and return adult fares (18 and over) to full price – cost approximately \$59,000, equivalent to 0.08% rates increase.
- hh. Free fares for all passengers under 18, return adult fares to full price – cost approximately \$106,000, equivalent to 0.15% rates increase.
- ii. Free fares for all passengers under 18 and retain half price fares for adults over 18 – cost approximately \$140,000, equivalent to 0.20% rates increase.
- jj. Free fares for all users – cost approximately \$170,000, equivalent to 0.24% rates increase.
- kk. Flat \$3.00 fare for all users over 5 years old – additional revenue of \$174,000, equivalent to 0.25% rates increase.
- ll. Flat \$2.00 fare for all users over 5 years old – additional revenue of \$8,000, equivalent to 0.01% rates increase.
- mm. Return fare levels to pre-March 2022 levels - \$2.20 Beecard and \$3.00 cash all fares, - additional revenue of \$54,000, equivalent to 0.08% rates increase.

8. **Agree/ disagree** to the following in relation to the Long-term Plan Roadmap to Renewal and other Strategic Projects:

- a. Note the funding request from the Anderson House Charitable Trust for a part time coordinator and advise them of the opportunity to apply to the Community Wellbeing Fund and other regional funders.
- b. Confirm the budget adjustment made to the Te Unua project since consultation. This is a reduction of \$800,000 from \$74.9 million to \$74.1 million.
- c. Confirm the budget adjustment made to Rugby Park since the time of consultation bringing the total project cost to \$5.1 million.
- d. Agree/ Disagree to stop maintenance work on Rugby Park, noting the estimated \$2 million capital saving, \$150,000 medium term forecast forfeit revenue (\$150,000 forecast revenue gain for 2025) and up to \$150,000 operational expenditure for 2024/2025/ ongoing.

- e. Note that \$206,000 remains budgeted for scoping work to identify a medium/ longer term solution as a home for an outdoor sports precinct in the future which may include a new or continued proposed use for Rugby Park.
 - f. Note the budget adjustment made to the Bluff Boat Ramp since the time of consultation bringing the total project cost to \$2.5 million, funded from the programme contingency budget.
 - g. Note that a paper to the 21 May 2024 Finance and Projects Committee will indicate that a further \$101,000 operational expenditure is likely to be required for CCTV operation and note that Council should consider as part of deliberations leaving head room for this.
 - h. Note that \$154,500 operational expenditure remains in the budget for scoping of a potential new arts project for the city centre and that a range of stakeholders will be involved through the planning process.
9. Note that the changes to assumptions and projects agreed in this report will be brought through to the Infrastructure Strategy.
10. **Agree/ disagree** to the following changes to the Long-term Plan Financial Strategy, Revenue and Finance Policy and Rating Policy:
- a. Adjust assumptions as outlined under 3 above.
 - b. Adjust the depreciation assumptions as agreed under 13.g. below.
 - c. No change to the Uniform Annual General Charge and Farming Rating Differential.
11. **Agree/ disagree** to the following changes the fees and charges:
- a. No change to the proposed Alcohol Licencing Fees.
 - b. No change to the proposed Dog Control fees.
 - c. No change to the proposed removal of the cap on building consent fees and review this again in 2024/2025.
 - d. Revise the proposed Code Compliance Certificate Review and Sign off administrative Fee to apply only to consents over \$500.
 - e. Note the update to the Building Control MBIE Levy.
 - f. Revise the update to the Bathroom alteration which includes wet area shower fee description.
 - g. Revise the update to the Accessory Buildings Unlined and Lined fees to include caps of \$1230 (unlined) and \$1845 (lined).
 - h. Revise the update to Accessory Buildings Extension to \$21/m² with a minimum fee of \$500.
 - i. Revise the update to the Site Servicing/Ext Drainage/Sump fee to include a minimum fee of \$500.
 - j. Note the update to Land Information Memorandum – Residential Single Property – 10 working days fee description.
 - k. Note the update to the Land Information Memorandum – Note for hard copies to reflect the 2024/2025 fee of \$12.
 - l. Revise the update to Amendment to Compliance Schedule fee to specify a fee of \$410 for up to 2 hours, and a charge out rate thereafter of \$205 per hour, noting this does not result in higher fee levels.
 - m. Revise the update to Copying Charges to include colour photocopying fees. These are not new fees and they are included in the Corporate Fees section.
 - n. Revise the update to Consent System Fee description.
 - o. Revise the Schedule 1 notification from an hourly rate to a flat fee, \$110, noting this will not result in higher fees.
 - p. Note the update to the Amusement Device fee to \$11.50 for the first application and \$2.30 for the second application, as set by legislation.

- q. Note that significant increases to Crematorium fess may be required for 2025/2026.
 - r. Request the Community Wellbeing Committee to advise if they recommend further changes to the Coopers Creek Rental Fees to the 28 May Council meeting.
 - s. Revise the current Membership options, specifying that they are 'Flexi membership (child, student, adult, senior) – Fortnightly payments' and 'Flexi Community Service membership (child, student, adult, senior) – Fortnightly payments'.
 - t. Revise the addition of 'Memberships 3, 6 and 12 months (child, student, adult, senior)' and 'Community Service Memberships 3, 6 and 12 months (child, student, adult, senior)' to include remaining options available.
 - u. Revise the addition of a Full Learners Pool Hire fee. This is not a new fee and it consists of three lanes, with the standard lane hire fee already included in the Fees and Charges Schedule.
 - v. Revise the addition of two swim club concession fees, which are a bulk buy of the single swim club entry for one child - Swim club entry – 10 concession (child) and Swim club entry - 25 concession (child).
 - w. Revise the replacement of the two separate bin fees with one fee for 'Additional Bin Set (red for waste and yellow for recycling).
 - x. No change to the proposed water and sewerage fees.
12. **Note** the following advice related to general issues:
- a. Note that Council is working with the Combined Disability Network, that some matters of accessibility will be discussed at a workshop in June and that a further report on this matter will be brought back to Council in 2024/2025.
 - b. Note that further projects related to improved environmental outcomes could be considered as part of the 2027 – 2037 Long-term Plan.
 - c. Note that determination as to whether to dispose of any particular piece of land is a separate process and no change is recommended to the risk rating on the land sales assumption at this point.
13. **Agree/ Disagree** to these further adjustments noting the combined impact of bringing the forecast rate increase down to **9.95%**:
- a. **Note/ Reconsider** the new option for climate change operational funding reduction to \$100,000, equivalent to 0.14% reduction in the increase on rates (Recommendation 5b above).
 - b. **Note/ Reconsider** the new option for glass recycling (Recommendation 6c above) delaying the \$1.65 million capital and \$0.65 million operational until 2027/2028 with a reduction in the forecast rates increase for 2024/2025 and 2025/2026 and 2027/2028 of 0.73% (noting this new item is not yet included in the total forecast rates increase above, awaiting Council direction).
 - c. Reversal of \$103,000 operational funding for passenger transport to enable additional trips at the start and the end of the day, equivalent to a 0.15% increase.
 - d. A partial reverse by \$100,000 of the increase in the Heritage Strategy grant fund, resulting in a \$200,000 fund, equivalent to 0.14% reduction in the increase on rates.
 - e. Withdrawal of \$65,000 from the Community Wellbeing Fund, resulting in a \$500,000 fund, equivalent to a 0.09% reduction on the forecast rates increase.
 - f. A reversal of the \$145,000 funding increase to Great South, noting their indication that this will affect services provided to all councils due to their planned use of this funding across the region, equivalent to a 0.21% reduction in the increase on rates.
 - g. Make the following proposed depreciation assumption adjustments, equivalent to a 2.80% reduction on rates:
 - i. Reduce water depreciation funding from 100% to 95%
 - ii. Reduce sewerage depreciation funding from 80% to 75%

- iii. Reduce stormwater depreciation funding from 80% to 75%
- iv. Reduce roading depreciation funding from 85% to 80%
- v. Reduce property depreciation funding from 80% to 75%.

Background

This report provides Council with information and recommendations to inform deliberations on the Long-term Plan. It should be read with the report of 11/12 April for the Long-term Plan Hearings which provides a summary of submissions, along with all full submissions. Councillors may also wish to refer to the Long-term Plan budget reports of 31 October 2023 and 19 December 2023 which detail the new budget items resolved by Council ahead of consultation.

Due to the complexity of the issues, each section of the report is followed by its recommendations, which are also duplicated above.

It is important to note that ahead of final audit all figures are now adjusted to include inflation for the appropriate year. This does not change the budget but will mean numbers for specific projects are now changing and this needs to be considered when reading the report. This is a normal part of the process at this stage. Actual increases are noted through the report.

Issues and Options

Analysis

Council consulted on the Long-term Plan through March 2024. At the time of consultation, the forecast average rates increase for 2024/2025 was 9.17%, with planned capital expenditure of \$65 million, \$836.2 million across ten years. Operational expenditure was \$104.9 million for 2024/2025, with \$1.3 billion planned expenditure across ten years.

During 2023/2024, as indicated, there has been a higher level of economic volatility than normal. The combined impact of inflation, particularly rising insurance and infrastructure costs as well as interest rate rises, has been higher than forecast. For example, our insurance premiums for 2023/24 are \$1 million higher than planned. Council has also received information from the local government sector confirming that the inflation over the past three years for much of the infrastructure that we deliver have increased by 20% or more. Normally Council financial year forecasts rise at the end of Q2 into Q3 before falling back to plan as we move into Q4, have not eventuated. It is likely that continued rising costs remaining entrenched are a cause of this. Management have been implementing a cost saving exercise in response, cancelling or delaying non-essential work.

New Zealand has entered an economic recession since the draft LTP budget for consultation was finalised in December. The softening economic environment is affecting revenue for Council, including as a result of falling consent numbers and other factors. A further increase in the minimum wage, as well as higher than expected market increases in salaries continue to put pressure on the wages budget. Known and unknown changes in Government policy are/ could impact available subsidies for Council with reduced levels of subsidy spending in the area of passenger transport, arts and culture and parks.

The change in policy and economic environment is a particular risk for the Te Unua project, which still assumes a significant level of further external funding to be achieved, which Council is required to underwrite. As noted in the consultation document there are a number of important and exciting projects for which we are undertaking scoping, but have not made a decision at this time. Those projects include the arts facility, right home for sports, Civic Administration Building and other projects. There is a risk that Council may be required to undertake some or all of those projects which are not currently included in the LTP earlier than anticipated. In times of economic downturn community use of free or low-cost services often increases. It is not possible to forecast any expenditure impact of these trends at this time.

The impact of these trends is twofold, impacting both the starting position of the Long-term Plan, requiring rework of the budgets confirmed ahead of consultation and also requiring adjustment of the assumptions as some trends around elevated inflation and interest rates are now expected to continue for longer than originally forecast.

We are now expecting to take a net operating deficit of \$12.6 million into the LTP, rather than the \$9.3 million deficit forecast at the draft consultation stage. We will be taking more debt from 2023/2024 into the Long-term Plan, where each \$1 million of debt, equates to a 0.08% rate increase.

In addition, this uncertainty has required a number of revisions to long term plan budgets. The following items in particular have required amendment:

- \$1.2 million increase in insurance premiums, equivalent to 1.76% rates increase. It's important to note that a \$206,000 reduction in premium through Council self-managing risk is factored in. It is officer's assessment that this change aligns with Council's risk tolerance.
- \$0.5 million increase in software licencing reflecting delays in the IT improvement programme rollout, equivalent to a 0.68% increase
- \$1.8 million increase in depreciation to reflect forecast impact of June 2024 three waters asset revaluation (based on 85% depreciation funding assumption), equivalent to 2.52% rates increase, noting that further changes to the depreciation assumptions are recommended which will impact this position.
- \$0.4 million (2024/25) rising to \$2.3 million increase over the plan in Te Unua operating costs. Operational costs (other than Director) were planned from 2028. It is necessary for the operations team to be in place from 2025, building towards a full team in 2028, 0.52% rates increase
- \$0.15 million increase in Audit fees following receipt of the LTP letter of engagement and Annual Report proposal, 0.21% rate increase
- \$0.66 million other operating expenses – across all categories and net of savings identified as part of reforecast and reflecting current volumes and trends, 0.94% rates increase
- \$0.71 million increased interest revenue, reflecting higher rates and forecast loan to ICHL, 1.02% rates decrease
- \$1.7 million increase in other revenue following review of all forecast revenue reflecting current volumes and trends, -2.41% rates decrease
- \$0.47 million increased interest expense, reflecting higher rates, funding 2023/2024 deficit and timing movements in capital programme, 0.67% rates increase

In addition, there are two items of Council decision taken during the time of consultation which have an impact on the forecast rates increase. Together, public transport contract cost increases and increased Ocean Beach remediation costs will add 0.44% to rates.

The adjusted forecast rates increases, including the proposed changes to assumptions outlined and ahead of any further adjustments outlined in this report, would result in a 13.48%

rates increase. This report outlines further proposals for Council to consider which would have a combined impact of reducing the average rates increase for 2024/2025 to 9.95%.

Recommendations:

In response to the trends outlined above the following changes to assumptions are recommended:

Maintain current primary inflation settings of 3% for capital and 2.9% operational for 2024/2025. Increase staff costs inflation from 3.0% to 3.5% for 2024/2025 and 2025/2026 and add a separate insurance inflation assumption of 12%.

Note that the \$1.2 million increase in insurance budget for 2024/2025 has a 1.76% rates increase implication and incorporates a \$206,000 saving in premium which increases Council self-managed risk.

Increase interest rates – borrowing from 4% across all ten years to 4.25% in 2024/2025, and 4.5% thereafter, noting the change will result in a \$474,000 increased expenditure, equivalent to 0.67% increase in rates and incorporates changes in capital programme and 2024/2025 funding deficit.

Increase interest rates – investments from 5% to 5.5% in 2024/2025, 4.5% to 5% in 2025/2026, 4% to 4.5% in 2026/2027 and remain at 4% thereafter, noting the increased forecast revenue of \$714,000, equivalent to a 1.02% reduction in the rates increase and incorporates \$403,000 interest from the Invercargill City Holdings Limited advance.

Note the high level of uncertainty associated with a number of the assumptions particularly those that relate to external funding for Council activities.

Significance

The Long-term Plan is significant and has been consulted on in line with legislative requirements and the Significance and Engagement Policy. The identified further adjustments outlined in this report are assessed as not significant in line with the Significance and Engagement Strategy. Any further items identified by Council will need to be assessed through the process of deliberations.

Options

Consultation Issues

Elderly Persons Housing

The following options were consulted on:

Option 1 (Council's preferred option) - Provide some funding from general rates to help replace aging houses faster.

- Additional \$7.7 million capital expenditure
- 0.08% rates increase in 2024/2025 with additional annual increases adding to a total 0.61% by 2030/2031
- Level of service increase
- Debt increase

Option 2 – Maintain the current funding policy and reduce the speed of replacement of houses

- No level of service increase
- No rates funding
- No debt increase

One hundred and five (105) people submitted on the elderly persons housing issue. Of these, 53% supported Option 1, 40% supported Option 2. 7% supported neither option.

Many submitters agreed with Council that housing was an important issue but there was disagreement on the best approach for Council to take.

Some noted the social importance of housing for vulnerable elderly people and as a result supported Council investing rates funding. A few submitters wanted Council to focus on inclusive accessible design and do more to make quality housing available to a broader group in the community. One submitter encouraged Council to reassess the cost of new housing as the m2 rate was not in line with the market and would not be sustainable. They encouraged Council to look at community housing trust models.

Others such as the Chamber of Commerce and other submitters believed that this was not a core issue for Council and on balance managing costs across Council was more important. Some were concerned about what would happen once the baby boomers had passed on and no longer required housing – would there then be an oversupply?

Some submitters thought that if Council was going to act on housing, focusing on the District Plan regulations and forging partnerships with private sector developers would be a better approach. An attendee at the Murihiku Marae engagement event wanted Council to consider providing land for Papa Kianga housing. Other suggestions included a space for tiny homes to park up and housing for young families or for people with disabilities. A number of submitters were concerned that increased density of housing would have negative climate change implications.

Social media posts on housing were in general against Council being in housing stating it is not Council's core business (eight). Two mentioned they believed the new housing design was too expensive and one was in favour of Council's plan. Opposition to land sales was mentioned by two people and one was in favour.

Recommendation

Agree one of the following:

Option 1 (Council's preferred option at consultation) Provide \$7.7 million from rates to replace for Elderly Persons Housing faster, 0.08% rates increase in 2024/2025 with additional annual increases adding to a total 0.61% by 2030/2031 or

Option 2 – Maintain the current funding policy and reduce the speed of replacement of houses, remove \$7.7 million capital and therefore removing the increases outlined in Option 1

Climate Change – Investment in Emissions Reduction

The following options were consulted on:

Option 1 (Council's preferred option) – Allocation of \$200,000 a year for Council to use to implement carbon emission reduction initiatives.

- Level of Service increase
- Equivalent to 0.28% of rates increase
- Increase in debt

Option 2 – No change to the current approach of ad-hoc carbon reduction initiatives from existing budgets, noting that many of the easier reduction initiatives have already been implemented so this may slow progress.

- No change to the level of service
- No impact on rates
- No impact on debt

Ninety-five (95) people submitted on the emissions reduction issue. Of these, 55% supported Option 1, 41% supported Option 2. 4% supported neither option.

Those who supported the investment believed it was important that Council show leadership or suggested specific areas for consideration such as changes to lower emissions vehicles or more support for cycling. Some thought it was important to focus on areas where efficiency gains could be made to offset future investment.

A few thought the proposals have not gone far enough and significantly more should be invested.

Of those who were opposed to investment most thought that it was not required, either because the issue did not warrant it, that the investment would not be well spent or because it would be better to focus on adaptation to climate change. Some submitters were concerned about the need to spend on this when the cost of living was rising. One submitter was concerned that the climate change agenda was centrally directed and failed to take into account the needs of local people. Thirty-three people voted on this issue on Instagram. Twenty-four preferred to invest in emissions reduction and nine voted not to. There was no other significant social media engagement on this issue.

Alternative Option

There is the option to reduce the planned funding allocation by 50% to \$100,000 as a savings measure. This option to reduce the investment in climate change emissions reduction initiatives will create a more limited response by Council in line with the draft Regional Climate Change Strategy but the impact is not expected to be significant.

Recommendation:

Agree one of the following:

Option 1 (Council's preferred option at consultation) Allocation of \$200,000 a year for Council to use to implement carbon emission reduction

Option 2 No change to the current ad-hoc approach to carbon emissions reduction, resulting in an 0.28% rates saving.

Option 3 New option – Allocation of \$100,000 a year for Council to use to implement carbon emission reduction, resulting in an 0.14% rates saving against Council's budgeted preferred option.

New glass recycling bin

The following options were consulted on:

Option 1 – Preferred Option - Introduce a new 140 litre fortnightly blue glass recycling bin collection service

This option will mean a new bin for every property that currently receives recycling services. As well as new bins, the cost of the service will need to cover the new trucks needed to collect waste from these bins. Council anticipates under this new system about 90% of glass would be able to be reused within aggregate products, such as road surface, and there will be a reduction in contamination. There will be improvements in health and safety for people processing the waste and improved sustainability from less waste being sent overseas.

- \$1.65 million investment into purchase of additional bins for glass collection in 2024/2025
- \$0.65 million ongoing operational costs from 2025/2026
- Level of service increase from 2025/2026
- Level of debt increase.

The average annual targeted rate for this service will increase by \$29.72 in 2025/2026 to \$271.73 (GST excluded). This represents a 0.84% increase in the total rates in 2025/2026. Level of Service increase.

Option 2 – Current Recycling System – supported by Bottle banks

We would provide eight new bottle banks around the city (six in Invercargill and two in Bluff) for those who want to continue to recycle glass.

Glass picked up from houses would need to be placed into red bins and would go to landfill. We anticipate under this option most glass would end up in landfill, which would increase collection costs and significantly impact Council's waste reduction targets. Council may need to review this decision if the Ministry for the Environment require a blue bin glass system in the future.

- Level of debt increase
- \$47,821 investment in new bottle banks
- \$276,635 annual operational costs increase.

The average targeted rate would increase by \$12.57 in 2025/2026 to \$254.58 (GST excluded). This represents a 0.34% increase in the total rates in 2025/2026. Level of service reduction.

One hundred and eight (108) people submitted on the glass recycling issue. 46% supported Option 1, 45% supported Option 2. 8% supported neither option.

Ten submitters raised a preference for green bins for compostable waste.

Some people wanted more flexibility in how often red and yellow bins are picked up with some wanting greater frequency and some less. Some wanted the option to opt out. Others believed that the red bin size should be increased as a more immediate priority.

Those who were opposed to a new bin were opposed to the cost, opposed to complicated multiple bins, or believed they did not personally have enough glass recycling to warrant it or believed green waste was more important. Some were concerned that good use is not now being made of glass collected as it was and this was unlikely to change. Some thought that people with disabilities and/or older people could be disadvantaged by heavy bins.

Some submitters thought that bottle banks were a step backwards and that few people would make the effort to take their glass there, with the result of more ending up in landfill. Others believed an incentive was needed. Some mentioned the Australian system of payment for returned bottles/cans.

One submitter wanted Council to consider becoming a hub for South Island recycling and take a more active role in processing recycling. Another suggested that incineration should be explored as providing an alternative energy source and more cost effective and efficient solution. A number suggested looking to what other councils are doing, including exploring the company which Dunedin City Council uses to ensure glass recycling is well utilised.

There was strong engagement on this issue on social media. Ten posts listed general support for the new glass bin. Thirteen stated that they didn't want any change and a further eight noted that they didn't use glass enough so wouldn't make use of it. Thirty-five people wanted a green waste bin either in addition or instead of a glass bin. Eighteen believed a bigger red bin was the priority. Five questioned whether good use is currently made of glass. Two wanted the option to opt out and three wanted a refund system to be developed to incentivise people to return glass. Sixty-five people voted on this issue on Instagram, 22 wanted to move to a new glass bin and 43 preferred not to.

Alternative Option

Option 1 delayed until 2027/2028 Introduce a new 140l fortnightly blue glass recycling bin collection service – No rates impact in 2024/2025, no rates impact in 2025/2026, no rates impact in 2026/2027, 0.73% rates impact 2027/2028 ongoing.

Southland District Council and Gore District Council have both delayed their Long-term Plans under the Government's water reform programme. The contract is due for renewal in 2027. Challenges with glass contamination would remain.

Note that the cost increases below are larger due to inflation being larger in later years. The forecast rates increase is lower than for 2024/2025 due to the growth of the rating base in later years.

Recommendation:

Agree one of the following:

Option 1 (Council's preferred option at consultation) Introduce a new 140l fortnightly blue glass recycling bin collection service – 0.84% rates impact

Option 2 – Maintain current bins for kerbside recycling and provide eight additional new bottle banks (six in Invercargill and two in Bluff) for those who want to continue to recycle glass – 0.34% rates impact.

Option 1 delayed until 2027/2028 - Introduce a new 140l fortnightly blue glass recycling bin collection service – No rates impact in 2024/2025, no rates impact in 2025/2026, no rates impact in 2026/2027, 0.73% rates impact 2027/2028 ongoing.

Activities and Levels of Service Key Performance Indicators

The items below relate to matters raised by submitters or as the result of new information. Changes recommended to Key Performance Indicators are assessed as not requiring further consultation.

Water

Clause 4, schedule 10 of the Local Government Act 2002 requires local authorities to report against a set of non-financial performance measures (made under section 261B) set by the Department of Internal Affairs in rules. The current rules specify that one of the measures for drinking water is “the extent to which the local authority’s drinking water supplies comply with (a) part 4 of the drinking-water standards (bacteria compliance criteria), and (b) part 5 of the drinking-water standards (protozoal compliance criteria).”

With the transfer of responsibilities to Taumata Arowai, the drinking water standards referred to in the rules no longer exist.

Taumata Arowai has set drinking water standard in the Water Services (Drinking Water Services for New Zealand) Regulations 2022 including a maximum acceptable value for a bacteriological contaminant (e coli), and a maximum acceptable value for pathological protozoa.

In April 2024, Taituarā released a practice note regarding reporting against drinking water standards. The note advises that Councils should report against the bacterial and protozoal aspects of the Water Services (Drinking Water Services for New Zealand) Regulations 2022.

As a result, the DIA Performance Measure One (safety of drinking water) has been updated as follows:

- a. ***Drinking water treatment complies with the Drinking Water Quality Assurance Rules - rule T3 Bacterial Rules for Water Disinfected with Chlorine'**

and

- b. ***Drinking water treatment complies with the Drinking Water Quality Assurance Rules - rule T3 Protozoal Rules for Coagulation, Flocculation, Sedimentation and Filtration & rule T3 Protozoal Rules for Ultraviolet Light Disinfection [minimum 4 log in total]'**

And including the following disclosure:

“The Non-Financial Performance Measures Rules 2013 required local authorities to report their compliance with the bacterial and protozoal contamination criteria of the New Zealand Drinking Water Standards 2005.

These standards have been superseded by the Water Services (Drinking Water Services for New Zealand) Regulations 2022 (the regulations) and therefore the council is reporting against these measures relying upon the relevant incorporation by reference provisions in New Zealand law.

Recommendation:

Note the update to DIA Performance Measure One - Drinking Water Standards, in line with the new Drinking Water Standards and guidance from Taituarā

Sewerage

The wording for Sewerage DIA Performance Measure 3 (fault response time) has been updated as per DIA guidance to specify attendance to sewerage overflows resulting from blockages or other faults as follows:

- a. The median response time from notification to arrival on-site to attend sewerage overflows resulting from a blockage or other fault in the sewerage system
- b. The median response time from notification to resolution of sewerage overflows resulting from a blockage or other fault in the sewerage system

Recommendation:

Note updated wording to Sewerage DIA Performance Measure 3 – fault response time, in line with DIA guidance

Roading

Salford School made a submission requesting roading alignment safety improvements at their school to improve safety at drop off and pick up. Note the existing budget within the Long-term Plan for local safety improvements primarily at schools and that work can be reprioritised to support this work.

South Alive noted the significant investment in the South City area street environs but stated that they believed there were further improvements which needed to be made. There are no significant further upgrades planned in this area, noting that the future next scheduled suburban upgrades to Windsor and Bluff were removed from the plan for consideration again in a future plan.

A request was made from a young submitter wanting a new sign at the East entrance of Invercargill. Note an estimated \$10,000 - \$30,000 would be required to provide this sign. A competition for a design could be run for an estimated \$2,000.

A request for new signage was made at Ōreti Beach. The wayfinding sign has the correct safety information on it, including the speed limit. The interpretation sign is discussed below under Parks and Reserves.

A number of submitters raised the potential for more cycleways or other cycling support to help achieve environmental outcomes. This is a matter which will be considered as part of the integrated transport strategic work, planned to be delivered in 2024/2025 and 2025/2026.

It is important to note that there remains a significant element of risk related to the roading programme should any change be made by New Zealand Transport Agency - Waka Kotahi to their funding allocation. We have had indication that changes are not expected at this point. Confirmation on this will not be received until later in the process. No change is recommended to the NZTA funding assumption at this stage.

Recommendations:

Note prioritisation of the Salford School roading realignment as part of existing local safety roading budget.

Note the South Alive request for further upgrades to South City Street environs and that no further renewals are currently scheduled.

Note the request for a new Welcoming Sign to Invercargill, at a forecast cost of \$10,000 - \$30,000 and that this could be considered in the future.

Note that the wayfinding sign at Ōreti Beach conveys the correct information and no change is recommended at this time.

Note the issue of cycling is a matter for consideration of future planned strategic work on integrated transport.

Solid Waste

Regional discarded rate per person per annum (kgs) is a key performance indicator under the Southland Waste Management and Minimisation Plan (WMMP). This is in alignment with national legislation and guidelines, including the Ministry for the Environment's Waste Strategy, Te Rautaki Para. The WMMP specifies the target should be 650kgs per person per annum, and legislation requires a 10% decrease from 2030/31 onwards.

The regional discarded rate is calculated based on regional waste to landfill and diverted waste figures. It is of note that there may be occasions where diverted waste data from Southland and Gore District Councils may not be available. Should this happen, it will be noted in the quarterly updates to Council.

Recommendation:

Confirm the updated targets for the Regional discarded rate per person per annum (kgs) to less than or equal to 650 kgs for 2024-2030, and less than or equal to 585 for 2030-2034, in line with the Southland Waste Management and Minimisation Plan (WMMP) and legislation.

Property

A number of omissions in the Property Asset Management Plan need to be corrected:

- a. Omission of the revised property renewals programme – varying between \$147,000 - \$912,000 over the ten years of the plan
- b. Omission of the revised public toilets programme – varying between \$4,000 - \$984,000 over the ten years of the plan

CHANGES TO CAPITAL PROGRAMME (\$000S)		
	PROPERTY	PUBLIC TOILETS
2024/2025	+631 (included \$265 from 2023/2024 for various projects)	+984 (included \$432 from 2023/2024 for Russell Square & Coronation Ave projects)
2025/2026	+147	+292
2026/2027	+192	+24
2027/2028	+187	+296
2028/2029	+326	+15
2029/2030	+664	+66
2030/2031	+912	+4
2031/2032	+168	+64
2032/2033	+171	+4
2033/2034	+174	+64

Recommendations:

Note the required correction to the property renewals programme

Note the required correction to the public toilets renewals programme

Passenger Transport

This item should be read with the 7 May 2024 Infrastructure Committee report on passenger transport.

Recommendation:

Confirm **one** of the following options brought forward from the 7 July 2024 Infrastructure Committee meeting:

Retain the subsidised fare levels for passengers approximate cost \$95,000 (12 years old and under – free. b. 13 to 25 years old – half fares. c. Over 25 – full fares), equivalent to 0.13% rates increase

Retain free fares for 12 years and under, retain half price fares for youths from 13 to 18 and return adult fares (18 and over) to full price – cost approximately \$59,000, equivalent to 0.08% rates increase.

Free fares for all passengers under 18, return adult fares to full price – cost approximately \$106,000, equivalent to 0.15% rates increase.

Free fares for all passengers under 18 and retain half price fares for adults over 18 – cost approximately \$140,000, equivalent to 0.20% rates increase.

Free fares for all users – cost approximately \$170,000, equivalent to 0.24% rates increase.

Flat \$3.00 fare for all users over 5 years old – additional revenue of \$174,000, equivalent to 0.25% rates increase.

Flat \$2.00 fare for all users over 5 years old – additional revenue of \$8,000, equivalent to 0.01% rates increase.

Return fare levels to pre-March 2022 levels - \$2.20 Beecard and \$3.00 cash all fares - additional revenue of \$54,000, equivalent to 0.08% rates increase.

Parks and Reserves

The Ōreti Beach Advocacy Group, Heritage New Zealand, Active Southland, South Alive, Southland Mountain Bike Club, Waverley Park Hub as well as wide range of individual submitters have made submissions on aspects of the parks activities. A number of suggestions for minor changes to the Parks Activity Management have been made and these are already in alignment with the plan or have been accepted unless otherwise discussed here.

Ōreti Beach

The Ōreti Beach Advocacy Group highlighted a range of safety issue concerns at the Beach and made a number of requests:

- **Reintroduction of Rangers at the Beach.** Environmental Rangers visit the beach at least once a day. 1.6 FTE Ranger allocation is made to the Sandy Point Domain Reserve including Ōreti Beach. A significant number of incidents are recorded and responded to by the Environmental Ranger role.
- **New Sign at the Beach.** There are two primary signs at the Beach – The Wayfinding sign which provides speed limit and other rules and an interpretation panel. The

interpretation panel was destroyed during recent vandalism. Plans are in place to update the interpretation panel. The wayfinding sign provides the correct information.

Playgrounds, sportsfields and parks

- **Urban play** – A number of submitters submitted in support of play facilities. Some requested a refocus onto a destination playground, which there is not space for in the city centre, many mentioned an upgrade/ refresh of Queens Park playground. This would be a change to the original focus of the urban play project which was inner city attraction. The next stage of the urban play project is final scoping and design to deliver the business case in alignment to the wider City play strategy. This is an issue which could be considered as part of this. The Queens Park Masterplan is planned and budgeted for and the playground will be considered as part of this. All playground renewals are currently managed through a general city-wide approach which is responsive to inspections and delivered on a component-by-component basis, with an approximate annual budget of \$100,000 to do so. \$150,000 is allocated for replacement of one of the Queens Park slides in 2024/25. No further capital budget is specifically allocated to the Queens Park playground although the inspection process may result in budget being allocated within the ten-year period. Many ideas for play were received through submissions and these will be considered by the team as part of the Play Strategy development.
- **Elizabeth Park** – Many submitters supported the review of Elizabeth Park. South Alive requested that toilets and a drinking fountain are urgent and be budgeted for now. The existing toilets are an old design which cannot be protected from vandalism which has been a regular issue while also ensuring public safety. As a result, they are now not open except when they can be monitored such as during an event. Approximately \$300,000 would need to be budgeted for a new toilet block and drinking fountain. However, while it is known that a toilet block is needed, the final location and design would need to be informed by the strategy and this is likely to impact cost forecasts. The Elizabeth Park landscape review is planned for 2024/2025.
- **Accessibility** – Active Southland and others have requested a focus on accessibility of Parks, including trails within parks. The potential for an accessible trail within Sandy Point will be considered as part of the Sandy Point Management Plan. There is an accessible trail within Anderson Park, however it would be necessary to complete an update of the connection from the carpark to the trail to make it fully accessible. It can be resourced through reallocation of the current parks capital renewal budget, subsequently less other renewals will be achieved.
- **Data on use of sports fields.** Council already has an arrangement in place with Active Southland to share usage information on sports fields. The newly launched Bookable system will only improve this ability.
- **Request to support Waverley Park Hub.** The Parks and Recreation team have been working with a number of clubs around Waverley to support their desire to operate the park as a hub in order to achieve collaboration efficiencies and benefits. Further work is needed to finalise the agreement which Council is supporting. A specific management plan for the area is not recommended. The group have requested support for a feasibility study.

Maintenance Levels of Service

- **Low Mow.** Council has received some submissions against Low Mow and/ or weeds/ mowing of the roading reserve. Others submitted in support of low mow for the environmental benefits. Low mow was introduced as a four-year pilot to achieve a range of ecological and cost savings benefits across parks and reserves. An estimated \$250,000 saving across four years was forecast. Savings in the first year have been \$63,000 and are in line with the forecast. A full report on the pilot will be provided to the Community Wellbeing Committee before the end of the financial year. There are a

number of areas where the process has been working well (e.g. Sandy Point Domain, Thomson Bush, Elston Lea Reserve). Other areas have not worked well, sometimes as a result of bookings for reserves not being made for clubs for practice during off season. In these circumstances turf replacement and other costs have eventuated. The pilot review will propose changing some of the locations low mow is used. It is important to note that residents are often not clear on what is low mow and what is linked to the level of service delivered by roading contractors and/ or those areas like floodbanks which are managed by Environment Southland. Work is underway with contractors to improve delivery of service within the roading reserve.

- **Levels of service in South Invercargill.** South Alive requested a higher level of service with the planting design into the South City area which in their view does not align with the planting design in other areas of the city. As for many areas within the city, planting design in central roading reserve has been changed to reduce maintenance requirements as a result of changed traffic management rules significantly increasing costs. The areas of "colour" around Invercargill city are predominantly within our premier parks which are Anderson, Otepunī and Queens Park. The remaining parks are less formal and natural in setting. The town belt which runs North to South has one formal setting of annual colour beds and community vegetable plantings at Otakaro Park. The areas of town belt reserve which run from Tweed Street south are sports field reserve, dog parks and of informal reserve design until Russell Square playground. The current management plans do not envisage a new premier park at any site. It is not appropriate to cost without having a scoping exercise and further significant design.

Recommendations:

Rangers at Ōreti Beach – No recommended change.

New sign at the Beach – Note that a new interpretation panel is planned for 2024/2025 within the existing Parks renewals budget. No recommended change.

Note that urban play will be considered in alignment to the wider Play Strategy.

Note that accessibility of trails within Sandy Point will be considered as part of the Masterplan and in response to feedback the connection to the Anderson Park trail to be improved within existing budgets.

Advise the Waverley Park Hub group of the opportunity to seek feasibility study funding from a range of community funding sources including Active Communities and the Community Wellbeing Fund.

Note that if the Low Mow pilot is ended early operational expenditure will need to increase by \$63,000 (0.09% rates impact in 2024/2025).

Note the Elizabeth Park Strategy work is planned for 2024/2025. No recommended change to budget allocation for toilets until completion of the strategic work.

Arts and Culture

He Waka Tuia performance measure targets for 2027-2034 – there are currently no targets due to the pending decision on He Waka Tuia management in 2026/2027. The future of He Waka Tuia will be discussed at the Community Wellbeing Committee on 14 May 2024.

He Waka Tuia Number of onsite and off-site exhibitions which celebrate our collections and the stories of Southland – the targets have been amended, in line with the current service agreement with IPAG. The wording of the measure has also been refined for ease of reading (previously Number of onsite and off-site exhibitions which celebrate our collections and “Story of Southland”).

Te Pātaka Taoka Southern Regional Collections Facility annual number of school class visits – the wording of the measure has been amended to specify ‘school class visits’ as opposed to only ‘school visits’. School visits would normally be organised per class.

Invercargill Public Art Gallery indicated their wish to extend the management contract and for additional exhibition budget for He Waka Tuia. A report on this matter is planned to the 14 May Community Wellbeing Committee.

Arts Murihiku have made a further operational funding request of \$50,000 to enable continued delivery of their operations. This is equivalent to a 0.07% rates increase. There is the option for them to apply to the Community Wellbeing Fund or other regional funding providers.

Te Kupeka Tiaki Toaka Southern Regional Collection Trust have noted their support to work in partnership to enable the Te Unua project and requested \$300,000 operational funding to enable protection of the Elmwood Collection which is at risk from vinegaring. This is equivalent to a 0.43% rates increase. There is the option for them to make a further application to the Regional Heritage Committee, the Community Wellbeing fund and other regional funders.

Recommendations:

Confirm the revised targets for He Waka Tuia Number of onsite and off-site exhibitions which celebrate our collections and the stories of Southland to 12 exhibitions per annum (4 off-site, 8 onsite) and the updated wording.

Confirm the updated wording for the Te Pātaka Taoka Southern Regional Collections Facility annual number of school class visits performance measure.

Note that there may be changes to He Waka Tuia performance measure targets and that the matter of the IPAG requests will be considered following the Community Wellbeing Committee meeting on 14 May.

Note the request from Arts Murihiku for \$50,000 additional operational funding and advise them of the opportunity to apply to the Community Wellbeing Fund.

Note the request from Te Kupeka Tiaki Toaka Southern Regional Collection Trust for \$300,000 operational funding and advise them of the opportunity to apply to the Regional Heritage Committee and the Community Wellbeing Fund.

Regulatory

- **Smokefree signage in the CBD** – Public Health South asked that Council review signage in the CBD since the completion of the recent upgrades. They have signage which can be used. They also requested community engagement to request on a smokefree area in South Invercargill.

- **Code Compliance Certification performance measure** ('Code Compliance Certificates are issued within statutory timeframe') - This is reported on as part of the LTP by many Councils, and is an existing legislative measure for Building Services.
- **Building and Non-notified resource consent performance measures** – these are legislative measures. The current wording specifies a 20 working days timeframe, however following, post-consultation, staff review of KPIs identified that the timeframes could vary depending on consent type and therefore 20 working days target may not always apply.

Recommendations:

Note that Council has worked with Public Health on signage and community engagement previously and this can be continued within existing budgets, noting the availability of Ministry of Health signage.

Confirm that a 'Code Compliance Certificates are issued within statutory timeframe' performance measure is added to the Regulatory Services Activity, with a target of 100% delivery.

Note the change from 'Building consents are granted within 20 working days' to 'Building consents are granted within statutory timeframe' and yearly targets to '100% of building consents are granted within statutory timeframe'.

Note the change from 'Non-notified resource consents not requiring a hearing are granted within 20 working days' to 'Non-notified resource consents not requiring a hearing are granted within statutory timeframe' and yearly targets to '100% of non-notified resource consents are granted within statutory timeframe'.

Democratic Process

Te Runaka ō Awarua have requested project development funding of \$41,700 for the Te Taurapa ō te Waka Project.¹ This is a major new capital project proposed for the top of Bluff-Motupōhue Hill. At the beginning of its development journey, there is a significant amount of development/ funding work still to be completed before the project can be realised. This request is equivalent to a 0.06% rates increase. There is the option to apply to the Community Wellbeing Fund and other regional funders.

The Multicultural Council have made a request for funding to support development of a dedicated hub for migrants. No specific amount of funding was requested. For information, Saving Grace, a current community hub development project is expected to cost approximately \$4 million.

Connected Murihiku submitted noting their thanks for Council's support for the programme and requesting future support. No specific funding request was received.

Recommendations:

Note the \$41,700 funding request from Te Runaka ō Awarua and advise the opportunity to apply to the Community Wellbeing Fund.

¹ Note this request has been included under Democratic Process as a general/ community/ economic development funding request.

Note the request from the Multicultural Council for a Migrant Hub and suggest engagement with the Saving Grace team and other community venues and/or regional funders to explore potential use of those facilities and/ or opportunity for a scoping study for a migrant hub in the future.

Note that Council supports Connected Murihiku through providing governance support to the Joint Committee and administering the contract. Consideration as to whether Council wishes to provide further support would be appropriate at the next stage in the project towards the end of 2024/2025

Corporate Services

Due to timing of the IT development programme (Our Council) an increase to the 2024/2025 budget of \$80,000 needs to be made.

Recommendation:

Confirm the capital funding increase of \$80,000 for 2024/2025 to allow for timing adjustments to the programme.

Roadmap to Renewal and other Strategic Projects

Anderson House

The capital works programme for Anderson House is complete.

The Anderson Park Charitable Trust have submitted requesting operational funding of \$50,000 for a part time coordinator. This request is equivalent to a 0.07% rates increase. There are other funding options which the group could explore including Council's Community Wellbeing Fund.

They also requested renewal of the ramp and installation of a lift at Anderson House. The existing ramp was not amended during recent renewals and met accessibility requirements at the time of installation. As part of recently completed capital works no lift was included on the basis of the lack of clear use case for the building.

Te Unua – Museum of Southland

A number of submitters highlighted accessibility issues which they would like considered as part of the design process for Te Unua – Museum of Southland. These have been passed to the Project Management Office for consideration.

Some submitters suggested a change in approach on Te Unua, reviewing the location and plan. It is recommended that this is now too late in the process to implement.

A budget adjustment has been made to the Te Unua project since consultation. This is a reduction of \$0.8 million from \$74.9 million to \$74.1 million, which reflects lower inflation as a result in some expenditure moving forward into 2024/2025 and 2025/2026 from 2026/2027.

Rugby Park

Capital work on maintenance and short-term safety improvements for Rugby Park in line with the 2021 – 2031 Long-term Plan have commenced.

A minor budget adjustment of \$100,000 has been made to the project since consultation, bringing the new project budget to \$5.1 million. This reflects the change in inflation element from the reapportionment of existing project costs over the life of the project.

Operational budget for exploring the right home for sports in the future is scheduled for 2024/2025. Part of this work will explore longer-term options which may include the Rugby Park site either in its current or a new form. This could form a future new project but this will not be known until later in the process.

Work has commenced, contracted and consented for the remainder of the 2024 calendar year with a budget of \$1.2 million. This strengthening work is related to the main stand (which is earthquake-prone) and some improvements to Level 1 and pre-roof work, such as micro piles. Approximately \$200,000 of this could be saved with a decision from Council to stop work.

Work scheduled for the 2025 calendar year is valued at \$2.8 million. This work is the final strengthening works to the main stand and will enable the ICC to remove the (earthquake-prone notices from the main stand). None of this work is yet contracted and a full saving of \$2.8 million is possible. If this work **does proceed** Rugby Park will be not available for use for the whole of 2025.

The immediate implications of stopping work on Rugby Park are as follows:

- The site will be available for use as it has been in 2023 & 2024; the west stand will remain closed (this has been closed for five years). There will be ongoing operational challenges, such as leaks and unplanned repairs. The 2024 works **will be** completed ahead of the National Provincial Competition season 2024 and will not impact operations. It is recommended that Council make the decision on the basis that ongoing maintenance issues mean that it is possible that sections of Rugby Park have the potential to need to be closed during future seasons or operational years if work does not proceed.
- The work pack, 2024 – \$1.0 – \$1.2 million, is a pre-work package, and the benefits will not be fully released until the 2025 work pack is complete; if the 2025 work pack is not progressed, Council should assume that the monies spent in 2024 are abortive work.
- In the short term there are revenue gains for 2025 of an estimated \$120,000 - \$150,000 due to the facility not being closed for the 2025 work pack. There will under contract be a rise in expenses as some costs which are currently carried by Rugby Southland (power and utilities) transfer to Council, as well operational expenditure for parks, property and venues as a result of the change in ownership. This is forecast at \$150,000.

The future implications of stopping work on Rugby Park are as follows:

- The building will remain earthquake-prone and is likely to suffer significant damage in a moderate quake, adding to the other historical issues. It is likely that the building will then be closed for an extended period (years) and will need to undergo extensive repairs and strengthening (costing significantly more than the \$2.8 million scheduled)
- The legacy leaks are centred around the roof, and this is mostly due to poor waterproofing detailing and build. Repeated attempts have been made to seal these up, and this is an ongoing year-on-year cost to the ICC (patch-ups).
- Last year, part of the main lounge ceiling collapsed ahead of the NPC season due to water damage from leaks. ICC was able to arrange a timely fix for the opening games, but this was rushed and unplanned work. It is important to be aware that unplanned work usually comes at extra cost to the Council.

- CCTV and other electrical faults are present in the building again due to water leaks. ICC undertook emergency electrical compliance work in 2023 due to wiring and other issues centred around leaks and mould. These faults were uncovered when the project team undertook a condition assessment; again, the ICC team were able to undertake rapid repairs as unplanned works.
- In the medium to longer term the forecast revenue outlined above is likely to decline/ not be available (\$120,000 - \$150,000) as the building continues to degrade and may not be fit for purpose for the use of rugby and other users. Many of the forecast expenditure increases of \$150,000 will remain.

Re-using the stadium for significant other activities will come at a large clean-up and demolition cost; the building is deteriorating at a high rate and, due to the issues above, will continue to slide regarding "condition assessment." The site has a number of challenges due to asbestos in older sections, building on the boundary, and an undulating landscape.

As an indication, demolition for the main stand is likely to cost circa \$1.8 million, and the full clearance of the site would be circa \$5 million.

Bluff Boat Ramp

A budget adjustment of \$500,000 to this project required due to rework related to the challenging marine environment, has been made since the time of consultation increasing the total budget from \$2 million to \$2.5 million. This project budget increase is being funded from the programme contingency as directed by the Project Steering Group. No rates impact.

CCTV

A paper on CCTV will be coming to the Finance and Projects Committee on 21 May 2024. This report will indicate a range of options for installation and operation of the CCTV initiative. The first cameras will be operational before the end of 2024. The operational budget for CCTV needs to be considered. Currently there is only \$100,000 in the operational budget and the paper on the 21st will indicate that at least a minimum of \$201,000 from 2024/2025 will be required to implement Stage One. Council should consider now leaving head room for this required spend. This means that at least a further \$101,000 annual operational expenditure needs to be removed to maintain the forecast rates increase. Options to achieve this are discussed further below.

City Centre Urban Play Space

A number of submitters requested consideration of a destination playground, perhaps within Queens Park. This issue is discussed above under Parks and Reserves.

Arts and Creativity Invercargill

A number of submitters requested that Arts and Creativity Invercargill be reinstated on the roadmap. There is funding allocated for 2024/2025 to enable strategic assessment of the needs for arts and to scope a new potential project for arts in the city centre. Some submitters including Arts Murihiku and Invercargill Public Art Gallery indicated their wish to be involved in the planning for a new gallery. Engagement will involve a wide range of stakeholders.

Recommendations:

Note the funding request from the Anderson House Charitable Trust for a part time coordinator and advise them of the opportunity to apply to the Community Wellbeing Fund and other regional funders.

Confirm the budget adjustment made to the Te Unua project since consultation. This is a reduction of \$800,000 from \$74.9 million to \$74.1 million.

Note the budget adjustment made to Rugby Park since the time of consultation bringing the total project cost to \$5.1 million.

Agree/ Disagree to stop maintenance work on Rugby Park, noting the estimated \$2 million capital saving, \$150,000 medium term forecast forfeit revenue (\$150,000 forecast revenue gain for 2025) and up to \$150,000 operational expenditure for 2024/2025/ ongoing.

Note that \$206,000 remains budgeted for scoping work to identify a medium/ longer term solution as a home for an outdoor sports precinct in the future which may include a new or continued proposed use for Rugby Park.

Note the budget adjustment made to the Bluff Boat Ramp since the time of consultation bringing the total project cost to \$2.5 million, funded from the programme contingency budget. Note that a paper to the 21 May 2024 Finance and Projects Committee will indicate that a further \$101,000 operational expenditure is likely to be required for CCTV operation and note that Council should consider as part of deliberations leaving head room for this.

Note that \$154,500 operational expenditure remains in the budget for scoping of a potential new arts project for the city centre and that a range of stakeholders will be involved through the planning process.

The Infrastructure Strategy

The changes outlined in report above will be made to the assumptions and relevant projects within the Infrastructure Strategy.

There may be further changes required as a result of Local Water Done Well or changes to the NZTA subsidy, but this is not known at this time.

Financial Strategy, Revenue and Finance Policy and Rating Policy

Assumptions

The assumptions outlined above will be brought through to the Financial Strategy and relevant policies following direction from Council.

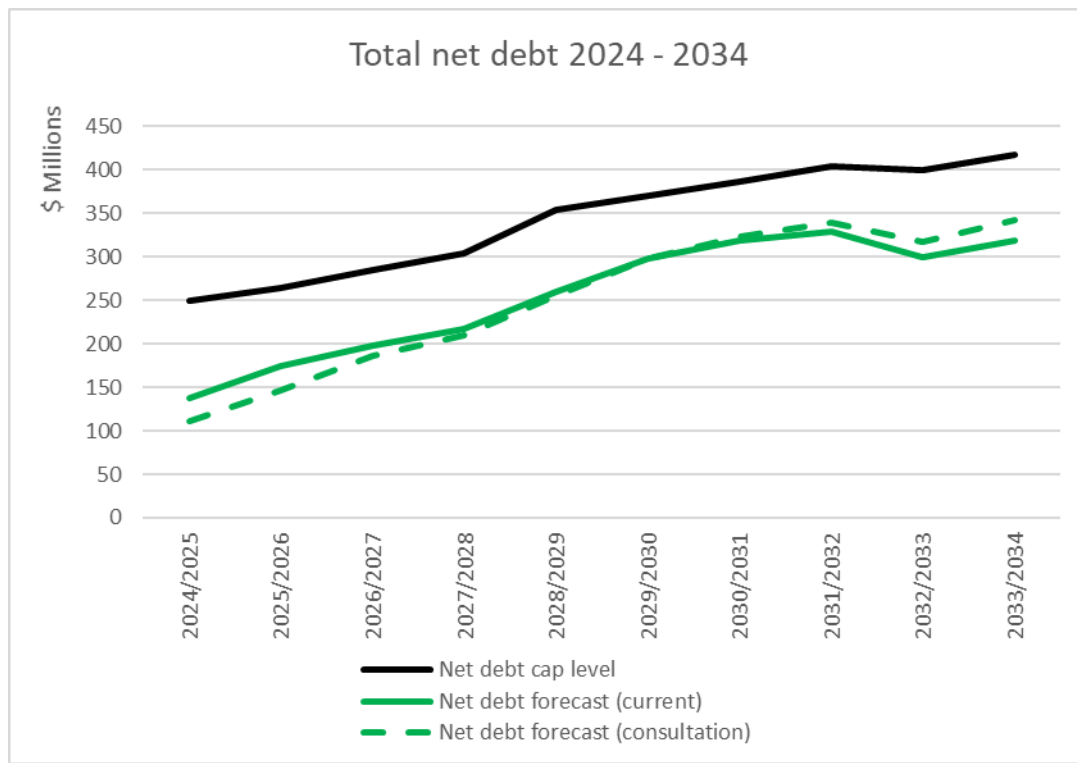
Net Debt

The proposed changes outlined in this report will impact net debt.

Across the life of the plan net debt will increase from \$137 million to \$318 million. At time of consultation this was forecast at \$112 million to \$342 million. This reflects an increase in debt in earlier years but a lower debt level in total, as a result of reduced inflation.

This will not impact the debt cap. The changed debt profile is illustrated below.

The increase in debt included in this plan, while it hasn't changed significantly since consultation, creates constraints on future Council's Long-term Plans. The development and inclusion of new projects may require others to be removed, as the debt cap is reached.



Benchmarks

There are no changes to the Benchmarks as a result of the changes proposed in this paper.

Uniform Annual General Charge and Farming Differential

Federated Farmers have indicated that they believe the UAGC should be increased and in comparison the Farming Differential should be reduced again from 0.6 to 0.54. The proposed change would result in an associated increase in the forecast rates of other categories of ratepayers.

The table below shows the historic farming differentials for reference.

2025 LTP	0.60 proposed
2024	0.54
2023	0.54
2022 LTP	0.54
2021	0.75
2020	0.75
2019 LTP	0.75
2018	0.70
2017	0.70
2016 LTP	0.70
2015	0.80
2014	0.80

2013	0.80
2012	0.45
2011	0.40
2010	0.85
2008	0.70

Depreciation

Depreciation is discussed further below.

The financial implications of this report are discussed in detail below.

Recommendations:

Adjust assumptions as outlined under Recommendation 3.

Adjust the depreciation assumptions as agreed under Recommendation 12.

No change to the Uniform Annual General Charge and Farming Rating Differential.

Fees and Charges

The changes below are either required by legislation change or are recommended as a result of error/ omission or for clarity. Non-legislation changes do not increase the level of the fees and further consultation is not required. Following Council direction at this meeting, the updated 2024/2025 Fees and Charges Schedule will be brought back to Council for adoption.

Alcohol Licencing

ILT and Hospitality NZ requested reinstatement of the low-risk fee reduction for their venues and members.

The current fee structure does not cover the costs of the provision of the alcohol and district licencing activity; the proposal to remove the process of assigning fees one level lower than the risk category of the licence holder is in response to this.

Clause 6 (4) of the Sale and Supply of Alcohol Act (Fees) Regulations 2013 states:

A territorial authority may, in its discretion and in response to particular circumstances, assign a fees category to premises that is 1 level lower than the fees category determined under subclause (1); but no premises may be assigned a category lower than very low.

The Regulatory Service Committee meeting 24 November 2015 established "particular circumstances" that allowed for all licences to be reduced by one level. Council has applied the particular circumstances since November 2015 and cannot continue to fund the activity with the reduced fees.

The venues could choose to lower their individual risk through changes to their operations such as opening hours.

Dog Control

A submitter requested that dog control fees not be raised while reserves existed for this activity. Note that there are a range of improvement projects planned over the next few years which are forecast to reduce the net debt account for this activity. These include upgrades to the Animal Control Facility, including dog bath and working tub, activity centre, heating and cooling for kennels, which are required to meet the Temporary Housing of Companion Animals Welfare Code. In addition, a desexing programme and fit out of the new Animal Control van are budgeted for.

Building Services

Building Consent Application Fee – Capped Fees

All building consent applications based on a square metre rate are subject to a minimum fee of \$500. Previously, there was a \$22,000 cap on this. It was proposed to remove the cap in 2024/2025.

HWR Property and XL Structural Steel oppose the removal of the \$22,000 cap due to the impact it would have on large scale projects. HWR Property also noted the negative impact this would have on commercial projects coming at the same time as the earthquake strengthening regulations/deadlines.

Both submitters also noted that Building Control fees are higher in comparison to other Southern Councils.

The financial implication for Council to re-introduce the cap is unknown, as it is dependent on square meterage of consents that will come in, in particular commercial, and this is where typically the cap would apply. For this reason, there was no adjustment to the forecasted revenue made in relation to removal of the cap.

When setting up its fees, Invercargill City Council uses square meterage up to the cap and then a percentage of value of work. Most councils, and all of the other councils in Southland (Gore, Southland District and Clutha) base their fees on the value of work and it is not possible to make direct comparisons with ICC.

Council (as the Building Consent Authority) is currently to review our fees and charges using data from the past where both the square meterage and value of work is known, to determine what the impact of changing to this approach to a “value of work” approach would be and will engage with the public, should changes be made.

Building Consent – Code Compliance Certificates review and sign off

An increased fee was proposed for 2024/2025 to recover the costs of providing administration for sign off of Code Compliance Certificates review and sign off. On further review, it is proposed that the fee should only be applied to Building Consents over \$500 to avoid a disproportionate impact on smaller consent fees.

Building Control – MBIE Levy

The building levy is paid by a building owner or developer when they submit their building plans to a Building Consent Authority for a building consent on their project.

Between April and May 2023, Ministry of Business, Innovation and Employment (MBIE) sought feedback as part of the Building Levy Review. They asked for feedback on:

- increasing the building levy threshold and rate
- the date that any changes to the building levy would become effective from, and

- increasing investment in MBIE's services.

On 11 March 2024, Cabinet agreed that from 1 July 2024, if the value of the building work is less than \$65,000 including GST, it will be exempt from paying the building levy.

This will be reflected in the 2024/2025 Fees and Charges Schedule.

Bathroom alteration which includes wet area shower

The fee wording has been revised and updated to provide clarity around the inclusion of the wet area shower.

Accessory Buildings Unlined and Lined Fees

In 2023/2024, the Accessory Buildings Unlined and Lined fees included a cost per square meter as well as a cap on the fees. This was omitted in the 2024/2025 schedule and instead only the cost per square meter was specified.

Accessory Buildings Extensions

In 2023/2024, the Accessory Buildings Extension fees included a cost per square meter as well as a standard minimum cost. This was omitted in the 2024/2025 schedule and instead two separate costs per square meter were included.

Site servicing/Ext drainage/Sump

In 2023/2024, the Site Servicing/Ext Drainage/Sump fee specified a minimum fee. Due to staff error, this was omitted in the 2024/2025 schedule.

Land Information Memorandum – Residential Single Property – 10 working days

This fee is for residential single properties only however the name of the fee specifies 'Commercial/Industrial/Multi residential/Other' categories. This is incorrect and should not be included with residential properties - there is already a separate fee for Commercial/Industrial/Multi residential/ Other categories.

Land Information Memorandum – Note for hard copies

There is an additional fee of \$12 for a hard copy of a Land Information Memorandum. The description quotes the wrong fee and has been updated to reflect the 2024/2025 fee.

Amendment to Compliance Schedule

In 2023/2024, the Amendment to Compliance Schedule fee included a cost for up to two hours, and a charge out rate thereafter. Due to staff error, this was omitted in the 2024/2025 schedule and only a fee covering the first two hours was included.

Copying charges

The Copying Charges (A4, A3, A1 and A0) only include the cost per page in black and white. The colour photocopying fees have been added. These are not new fees and they are included in the Corporate Fees section.

Consent system fee

A new fee for consent systems was proposed for 2024/2025. On further review, it was proposed to rename the fee to 'Consent System Fee' (removing the word 'Electronic') to remove any ambiguity regarding whether the fee is dependent on how the consent is lodged (electronic or paper form).

Schedule 1 Notification Fee

The consultation schedule included a fee which was an hourly rate of \$100. This should have been a flat rate of \$110. This is not an increase in the fee level.

Amusement Device

The fee for Amusement Devices is a legislative fee. The charge has not increased since 2023/2024, however this was updated in error for 2024/2025.

Parks and Reserves

Crematorium Fees

Costs have increased since consultation to provide the crematorium service as a result of increased fuel costs the estimated increase of this is \$30,000. This information has become available from suppliers too late to enable an adjustment of fees for 2024/2025 but Council should be aware that significant fee increases are likely to be required in 2025/2026.

Coopers Creek

A number of submitters submitted on Coopers Creek Rental which are set through the fees and charges schedule but historically have been communicated separately on an individual basis.

Licence Holders at Coopers Creek receive an annual charge for site rental. This relates to ground rent and is charged based on the exclusive private use of public land. The charge is not related to rates; the crib sites are not rated.

The Community Wellbeing Committee is receiving a report on Coopers Creek at their next meeting. If a further change to fees and charges is required to Fees and Charges it recommended that this is dealt with at the May Council meeting.

Pools

Memberships/ Full Learners Pool Hire/Swim Club fees

The child/student/adult/senior membership fees (including community services membership) for 2024/25 excluded three-, six- and 12-month membership fees (including community service memberships). Only fortnightly membership payment options were included.

All membership fees (fortnightly, three, six and 12 months) were grouped together in 2023/24.

There are no financial implications from including the three-, six- and 12-month membership fees.

Solid Waste

Additional Bins

Earlier this year, it was proposed that the fee for additional bins be removed and replaced with two separate fees (one for the red/waste bin, and one for the yellow/recycling bin).

Council can only issue bin sets and as a result this is an error which needs to be corrected. This is a reinstallation of the current fee structure and the combined cost is lower than two separate bins.

Water and Sewerage

The Chamber of Commerce while stating that their members unanimously supported the proposed fees and charges, noted the potential impact of water/ sewerage fee increases on their members.

A submitter questioned whether the fee increases over-adjusted the cost of providing the service away from residential and towards commercial ratepayers. Further analysis undertaken in response to this question demonstrates that the financial contribution made by commercial users is in balance with the proportion of water they consume under the new proposed fee setting. Namely that their financial contribution is 34.8% of the cost of running the water activity compared to their 33.9% proportion of water consumed (within the margin of error). This figure of 'share' of approx. 34% compares fairly closely to the submitter's statement that commercial users use 30 % of water but is at variance with the claim of financial contribution of 45%.

Recommendations:

No change to the proposed Alcohol Licencing Fees.

No change to the proposed Dog Control fees.

No change to the proposed removal of the cap on building consent fees and review this again in 2024/2025.

Revise the proposed Code Compliance Certificate Review and Sign off administrative Fee to apply only to consents over \$500.

Note the update to the Building Control MBIE Levy.

Revise the update to the Bathroom alteration which includes wet area shower fee description.

Revise the update to the Accessory Buildings Unlined and Lined fees to include caps of \$1,230 (unlined) and \$1,845 (lined).

Revise the update to Accessory Buildings Extension to \$21/m² with a minimum fee of \$500.

Revise the update to the Site Servicing/Ext Drainage/Sump fee to include a minimum fee of \$500.

Note the update to Land Information Memorandum – Residential Single Property – 10 working days fee description.

Note the update to the Land Information Memorandum – Note for hard copies to reflect the 2024/2025 fee of \$12.

Revise the update to Amendment to Compliance Schedule fee to specify a fee of \$410 for up to 2 hours, and a charge out rate thereafter of \$205 per hour, noting this does not result in higher fee levels.

Revise the update to Copying Charges to include colour photocopying fees. These are not new fees and they are included in the Corporate Fees section.

Revise the update to Consent System Fee description.

Revise the Schedule 1 Notification from an hourly rate to a flat fee, \$110, noting this will not result in higher fees.

Note the update to the Amusement Device fee to \$11.50 for the first application and \$2.30 for the second application, as set by legislation.

Note that significant increases to Crematorium fees may be required for 2025/2026.

Request the Community Wellbeing Committee to advise if they recommend further changes to the Coopers Creek Rental Fees to the 28 May Council meeting.

Revise the current Membership options, specifying that they are 'Flexi membership (child, student, adult, senior) – Fortnightly payments' and 'Flexi Community Service membership (child, student, adult, senior) – Fortnightly payments'.

Revise the addition of 'Memberships 3, 6 and 12 months (child, student, adult, senior)' and 'Community Service Memberships 3, 6 and 12 months (child, student, adult, senior)' to include remaining options available.

Revise the addition of a Full Learners Pool Hire fee. This is not a new fee and it consists of three lanes, with the standard lane hire fee already included in the Fees and Charges Schedule.

Revise the addition of two swim club concession fees, which are a bulk buy of the single swim club entry for one child - Swim club entry – 10 concession (child) and Swim club entry - 25 concession (child).

Revise the replacement of the two separate bin fees with one fee for 'Additional Bin Set (red for waste and yellow for recycling).

No change to the proposed water and sewerage fees.

General issues

A number of general issues were raised by submitters which are addressed here:

- **Accessibility** – A number of submitters raised accessibility issues for people with disabilities and older people across a number of activities and projects. Council works with the Combined Disability Network and has commenced work reviewing accessibility. A further report will be brought back to Council on this matter during 2024/2025
- **Environmental protection** – Many submitters commented on Council's climate change proposals which are discussed above. Others welcomed the work being done in New River Estuary or pest eradication programmes. Some wanted Council to go further or address more general issues such as renewable energy generation, waterway health, biodiversity or pollution reduction. Some aspects of these issues are matters for other agencies. Specific projects or proposals on these issues could be considered as part of the next Long-term Plan.
- **Sale of reserve land** – Some submitters raised the issue of whether Council planned to sell Council land. The decision making process on particular areas of land is a separate process and it is recommended that where appropriate, these submitters should be advised of future consultations they may be interested in. The assumption on sale of land is not linked to any specific piece of land and the risk outlined in the assumption speaks to the issue of potential lack of sales, either due to community opposition or for other reasons would impact on this forecast revenue.

Recommendations:

Note that Council is working with the Combined Disability Network, that some matters of accessibility will be discussed at a workshop in June and that a further report on this matter will be brought back to Council in 2024/2025.

Note that further projects related to improved environmental outcomes could be considered as part of the 2027 – 2037 Long-term Plan.

Note that no change is recommended to the risk rating on the land sales assumption at this point.

Proposals for further adjustments

As outlined at the beginning of this report, there are further decisions Council may wish to make in order to implement further cost savings.

Dependent on Council decision on the items above, the updated opening balance, combined with the changed assumptions will result in an updated average forecast rates increase of 13.48%. Further options for cost saving are outlined below. The combined impact would bring the forecast rates increase down to 9.95%. Note, the alternative options are not included in this figure.

Level of Service Minor Changes/ Changes from proposed Level of Service Increases

There are a number of options for Council to consider in order to manage budgets. The items specifically discussed this report are those identified during Council workshopping processes. These items are non-significant in line with Significance and Engagement Policy and do not require further consultation. There may be others which Council wants to consider either in addition or in place of these items, referencing the Council reports of 10 October 2023 and 19

December 2023, where Council confirmed the new items for inclusion as part of this Long-term Plan.

- **Climate Change** - \$100,000 reduction in climate change operational investment, with an associated 0.14% reduction in the rates increase.

This item is discussed further above in this report.

- **Passenger Transport** - \$103,000 saving by not introducing the additional bus trips at the start and end of the day, equivalent to a 0.15% reduction in the rates increase. Level of Service maintained at current level, but below what was consulted on.

In making this decision Council should consider the potentially negative impact on revenue and on economic and social wellbeing priorities. This change was proposed in order to make the bus service more attractive to commuters. The change was mentioned by a significant number of submitters, all of which were in support of this change. It is not possible to forecast the potential impact on farebox revenue.

Changes to grants and/or contract funding

- **Heritage Building Strategy Grants** – Partially reverse the increase in the fund from \$180,000 to \$80,000, resulting in a total fund of \$200,000 rather than \$300,000 as outlined in the strategy, equivalent to a 0.14% reduction in the rates increase.

The reduction of the funding available to the Heritage Buildings sector, would be at a lower level than outlined in the Heritage Strategy, however based on past funding allocations, the impact on ability of Council to deliver on the outcomes of the strategy is assessed as medium, as there are other factors around eligibility and ability to implement which are more likely to impact spend.

- **Community Wellbeing Fund** – Reduce the fund from \$565,000 to \$500,000, equivalent to a 0.09% reduction in the rates increase

The Community Wellbeing Fund is expected to be fully subscribed for 2023/2024.

This reduction is more likely to reduce the amount available to be given to projects but it may also reduce the total number of projects which can be supported.

- **Great South** – Reverse the planned \$145,000 increase in contract funding, equivalent to a 0.21% reduction in the rates increase.

This is likely to impact on outcomes which Great South can work towards. This may impact the Levels of Service provided by the CCO, rather than Council directly. Council may wish to indicate their priorities to Great South in their resolutions from this meeting.

Great South have asked the following points to be provided to Council:

- Disappointment that the funding increase indicated in the Letter of Expectation may not eventuate, particularly given that in their view the economic environment has not changed since the workshop in February. However, they recognise that it was communicated that all allocations are subject to change through the process.
- They note Council chose not to give direction on the areas of focus they wanted Great South to work on and as a result this decrease is likely to result in cuts to services which impact regional development and deliverables received by other Councils across the

region and therefore ask that communication is made to the Joint Committee as soon as possible

- They request the opportunity to speak to Council.

Depreciation

Depreciation is rates funded based on different assumptions of percentage of the total expected depreciation by asset class. This enables flexibility based on the known factors relating to those asset classes and reflecting the infrastructure scheduling approach focusing on critical assets first and pushing non-critical assets longer. It is important for Council to be aware of the many factors related to asset condition data, asset planning maturity and regulatory change, discussed through the long-term planning process, all of which have a bearing on the extent to which funded depreciation will cover required asset renewals. Reducing the rates funded depreciation assumptions increases the risk on Council. Officer advice is that the changes below remain within the risk appetite for Council but that it will make future budget adjustments required to bring depreciation funding back up to 100% more significant.

Alternatives

An alternative option which Council may particularly want to consider is:

- Delay of the painting of the Doon St Reservoir Roof, with a saving of \$412,000, equivalent to 0.59% reduction in the rates increase (one off 2024/2025 saving)

This painting has been delayed a number of times due to weather and budgetary constraints. This work is now overdue although it remains non-critical. This has the potential to change based on future inspection impacting condition data.

Recommendations:

Agree/ Disagree these further adjustments (or some or all of the alternatives above) noting the combined impact of bringing the forecast rate increase down to 9.95%:

Note/ reconsider the new option for climate change operational funding reduction to \$100,000, equivalent to 0.14% reduction in the increase on rates (Recommendation 5c).

Note/ reconsider the new option for glass recycling (Recommendation 6c) delaying the \$1.65 million capital and \$0.65 million operational until 2027/2028 with a reduction in the forecast rates increase for 2024/2025 and 2025/2026 and 2026/2027 of 0.73% (noting this new item is not yet included in the total forecast rates increase above, awaiting Council direction).

Withdrawal of \$103,000 operational funding for passenger transport to enable additional trips at the start and the end of the day, equivalent to a 0.15% increase.

A partial reverse by \$100,000 of the increase in the Heritage Strategy grant fund, resulting in a \$200,000 fund, equivalent to 0.14% reduction in the increase on rates.

Withdrawal of \$65,000 from the Community Wellbeing Fund, resulting in a \$500,000 fund, equivalent to a 0.09% reduction on the forecast rates increase.

A reversal of the \$145,000 funding increase to Great South, noting their indication that this will affect services provided to all Councils due to their planned use of this funding across the region, equivalent to a 0.21% reduction in the increase on rates.

Make the following proposed depreciation assumption adjustments, equivalent to a 2.80% reduction in the increase on rates:

- **Reduce water depreciation funding from 100% to 95%**
- **Reduce sewerage depreciation funding from 80% to 75%**
- **Reduce stormwater depreciation funding from 80% to 75%**
- **Reduce roading depreciation funding from 85% to 80%**
- **Reduce property depreciation funding from 80% to 75%**

Community Views

Consultation took place between 29 February and 2 April 2024. All submissions and analysis were provided to Council in the 11 April 2024 Hearings report.

Implications and Risks

Strategic Consistency

The proposed recommendations align with the Council's draft vision, mission and community outcomes for this Long-term Plan. The consultation has been undertaken in line with the Council's Significance and Engagement Strategy. Due to Council's direction on financial constraints, it is recommended to give consideration to communication of the decision-making process in light of community feedback that submissions are not listened to by Council.

The option to reduce the investment in climate change emissions reduction initiatives will create a more limited response by Council in line with the draft Regional Climate Change Strategy but the impact is not expected to be significant.

The reduction of the funding available to the Heritage Buildings sector, would be at a lower level than outlined in the Heritage Strategy, however based on past funding allocations, the impact on ability of Council to deliver on the outcomes of the strategy is assessed as medium, as there are other factors around eligibility and ability to implement which are more likely to impact spend.

The proposed adjustments within this report which impact on levels of service are assessed as not significant in line with the Significance and Engagement Policy and do not require further consultation.

Financial Implications

If the Council agrees all the items outlined above, including the preferred options for consultation then there are the following financial implications for the Long-term Plan, noting that further minor adjustments are possible through audit and into adoption of the Long-term Plan in June.

The capital expenditure for 2024/2025, the first year of the Long-term Plan will be \$84 million compared to \$65 million at the time of consultation.

Over the 10 years of the Plan, we forecast spending \$819 million on capital, compared to \$836.2 million at the time of consultation.

The planned operational expenditure for 2024/2025 is \$107.8 million, compared to \$104.9 million at the time of consultation.

Over the 10 years of the Plan, we forecast spending of \$1.3 billion on operations, no change on the \$1.3 billion at the time of consultation.

The average rates increase for existing ratepayers for 2024/2025 will be 9.95% compared to the 9.17% forecast at the time of consultation.

Over the 10 years of the Plan, the average rates to existing ratepayers are forecast to increase each year as follows:

- 2024/2025 – 9.95%
- 2025/2026 – 9.00%
- 2026/2027 – 9.00%
- 2027/2028 – 7.00%
- 2028/2029 – 5.00%
- 2029/2030 – 4.00%
- 2030/2031 – 4.00%
- 2031/2032 – 3.50%
- 2032/2033 – 3.50%
- 2033/2034 – 3.50%.

The rates increases will not exceed the Local Government Cost Index (LGCI) +8% from 2024/2025 – 2026/2027 and +7% in the remaining years of the Plan, noting in many years the rates increases are forecast to be significantly lower than the benchmark.

Net debt will increase from \$137 million in 2024/2025 to \$316 million in 2033/2034.

The debt ceiling will increase from the current 150% to 180% from 2024/2025 to 2027/2028, 200% from 2028/2029 to 2031/2032, before declining again to 190% thereafter.

External debt will not exceed 20% of total assets from 2024/2025 to 2027/2028 and 25% from 2028/2029 onwards.

The debt servicing benchmark is set at 10% of planned borrowing costs in comparison to revenue and will be met in all years of the Plan.

Depreciation will be funded at between 75% and 100% through the life of the Plan, with variations across the different categories of the capital programme.

The Essential Services benchmark, which measures spending on the network, compared to depreciation, is expected not to be met in 2025/2026 and 2032/2033. Again, this is linked to timing of funding and delivery of the capital programme.

Council expects to run a balanced budget in all years of the Plan with the exception of 2025/2026 years which are expected to be unbalanced as a result of timing of capital expenditure on major projects, including Te Unua - Museum of Southland.

Legal Implications

The Long-term Plan has been consulted on in line with the requirements of the Local Government Act 2002.

Climate Change

Climate change factors have been discussed in the relevant items above.

Risk

The risk highlighted at the time of adoption of the Consultation Document, related to audit remains. The time for the completion of the audit is compacted as the result of the process of the annual report audit having commenced and the audit of the consultation document not taking place. Supporting documentation and inputs to the consultation document were audited ahead of consultation, however it remains possible audit may highlight issues, including factors linked to the post-consultation changes outlined in this deliberations report and the new economic information which has become available. Council are taking appropriate steps to mitigate this risk through proactive engagement and response to questions from Audit New Zealand.

Reducing the depreciation assumptions increases the risk on Council. Officer advice is that the changes below remain within the risk appetite for Council but that it will make future budget adjustments required to bring depreciation funding back up to 100% more significant. Not having fully funded depreciation also increases the risk to Council in the event that the assets require replacement sooner than expected. If any of these risks are realised then Council will be required to fund the replacement by borrowing.

There remain a number of risks related to decisions which are not yet finalised/ for which information is not yet available Council should be aware of:

- Confirmation of the final level of the NZTA - Waka Kotahi roading activity subsidy is not expected to be received until June at the earliest. There is no indication of a change at this point.
- The ICHL special dividend, forecast at \$4 million a year for ten years, is reliant on future sales.
- The revaluation of three waters assets has been forecast but not yet completed. If this is significantly different to expected, this could have significant budget implications in relation to the rates funding of depreciation
- The Total Mobility Scheme is significantly over budget for 2023/24. Central Government have indicated their review of disability services has commenced but there is no known outcome at present. Community engagement is likely to be required ahead of any proposed budget adjustment.
- The valuation of forecast land sales is expected to be completed ahead of June 2024. This could require a change to the value included land sale assumption.
- There is not yet a medium-term solution to housing of the team within Te Hinaki – Civic Administration Building. If there are any major systems failures within the building, the allocated maintenance budget may not be sized adequately for a temporary relocation and renewal solution.

It is important that Council considers its overall risk when looking at the risks and opportunities associated with the long-term plan. At a project or individual activity level Council will be able to manage each of these risks. Council should consider however that at an organisational

level, these risks, if all, or more than one, are realised, will have a cumulative impact on the ability of Council to absorb and manage those risks without potentially significant changes to forecast services and/or rates.

In addition, Council will continue to monitor the assumptions underpinning the development of the long-term plan more broadly. Changes to those assumptions may have impacts on the model and require Council to respond in ways not currently anticipated in the long-term plan.

Next Steps

Following deliberations, the Fees and Charges Schedule will be brought to Council for adoption on 28 May 2024. Audit will recommence on 3 June 2024. Final changes to budgets and supporting documents will be completed. The Long-term Plan, along with final versions of the Asset and Activity Plans will be brought to the 25 June 2024 Council meeting for adoption and at the same meeting rates for 2024/2025 will be set. If audit is delayed or other unforeseen delays occur, an Extraordinary Council meeting to adopt the Long-term Plan may be required on 27 June 2024.

Attachments

None