

Help us with the big decisions for the year ahead



Includes
options for
Water Service
Delivery



Annual Plan 2025/2026

We have some big issues to grapple with this year...

We need to decide how we are going to deliver three waters – stormwater, sewerage and water services. We have had many meetings to discuss what options are practical for the community. The good news is that Invercargill's infrastructure is in better shape than in many other regions. However, there is still a lot of work to do and a real shortage of skilled water operators and contractors to undertake renewals nationwide. Central Government has asked us to ask you which delivery plan you prefer – we believe there are three options for Invercargill: For Council to continue to deliver the service, to set up a Council-Controlled Organisation (CCO) to deliver the service or a third modelled option prepared for comparison, a Southland CCO. There are pros and cons to all options – Council believes the best option for the city is to retain the service and continue to deliver it ourselves. What do you think?

Regulatory changes, as well as economic factors such as inflation and interest rate changes, mean costs are rising. We have worked hard to keep costs down but rates have to rise if services are not to be cut. Regulatory changes also mean that water needs to be charged for as a stand-alone service. This process called "ringfencing" means that administration costs previously funded through the general rate need to be funded through water, sewerage and stormwater rates. The average water services rates rise will be 20.46%.

We are proposing to close the Wachner Place toilets, recognising that there are now excellent toilet facilities within ICL less than a block away. This is a cost saving and we'd like know your views on this proposal.

As well as rates we need to make some increases to fees and charges, the most significant of which are the bus fares. While passenger numbers are increasing again after Covid they are still too low to make the service sustainable, and Central Government has set us targets for increasing revenue from users.

Finally, options are ready for the urban play project for the city centre. Would you prefer we invest in a play facility in the city centre, spread our investment to improve play in Bluff, South Invercargill, North Invercargill and the city centre, or do you think we should stop this project to save some money?

We've worked hard to bring down the average rates increase for the remainder of all the non-water activities to 3.67%. However, we know these rates increases are still really challenging for many families to absorb.

Share your feedback to help us make the right decisions for our city.

Invercargill City Councillors

Non-water
related
activities
rates rise

3.67%

Waters
related
rates rise

20.46%



What's changed for 2025/2026?

This year we are making changes to the way we rate, prompted by the **Local Water Done Well Reform** – for more information see the box on the next page. You can see what this means for your rates for the three waters services – water, sewerage and stormwater, and for the remainder of our services.

Outside the water reform, the biggest single change to our financial forecast for the year ahead is insurance. New Zealand is being rated as a higher insurance risk after recent events like Cyclone Gabriel and leaky building issues. This means our forecast costs for some types of insurance are going up by a factor of ten. This alone would require an additional 1.53% rates increase to fully cover. We are taking on more risk as a Council through self insurance for some of the amount, but all rates will still need to go up by an average 1.40% to cover insurance increases.

Inflation is also still higher than was being forecast for Local Government when we adopted the Long-term Plan. Council uses a different inflation rate to the Consumer Price Index because we are primarily purchasing pipes, concrete and asphalt rather than bread, milk and veges. We need to increase all rates by an average 0.94% to cover the increased inflation forecast of 3.2% rather than 2.2%.

We need to cover some other increases like the funding for Mayors and Councillors salaries which the Remuneration Authority sets, adding 0.34% on non-water rates.

We also need to make some changes to the way we deliver and fund infrastructure work. The most significant of these is to get ready for the Local Water Done Well reform programme requirements, including increasing our levels of depreciation for sewerage and stormwater assets to 90%, to step us closer to the 100% which will be required in two years. We have also made some changes right across the programme to delay work planned for this year and next into later years. This reflects the challenges of delivering all the work needed in a short space of time. You will have seen all the road cones out on the road reflecting how busy the teams are. We need longer to ramp up to the full levels of delivery required for three waters.

We are also proposing to delay the Bluff Service Centre toilet and some renewals, and the Splash Palace changing rooms by one year. Other work which would be delayed includes the Bluff Senior Citizens Centre renewal, crematorium renewals, archives exterior painting, Leven St carpark renewals, and elderly persons housing and parks

buildings renewals. We will also delay some road improvements and footpaths projects and reduce our depreciation funding for roading. Together these changes will reduce the required rates increase by 2.16% for waters and 2.34% for non-waters.

Finally we're proposing a range of other changes to reduce the required rates increase further. This includes closing the Wachner Place toilets, reducing Community Wellbeing funding, pausing Heritage Building funding, pausing the sister city programme, reducing Stadium Southland funding, reducing funding for regional development and climate change activity, and introducing an organisational efficiency programme. Together these equate to a further 4.55% non-waters rates saving.

Council planned an average 8.5% rates rise for 2025/2026 in the Long-term Plan. The combined water and non-water increases mean this will now be 9.47%.



Three waters rates increases 2025/2026

The Government's reform programme requires we make changes to how we fund and deliver the service. For 2025/2026 this will mean:

- Ringfencing our internal costs to deliver three waters and funding these through the water, stormwater and sewerage rates and relevant fees and charges. This transfer of \$2.3 million administration costs will have the impact of increasing waters rates by 8.52% and reducing the non-water rates increase by 4.51%
- Allocating funding to allow for implementation and audit of our new approach adds 1.35% on water rates
- Paying three waters levies to Taumata Arowai and the Commerce Commission which will increase waters rates by 1.12%
- Stepping up depreciation funding for sewerage and stormwater assets from 80% to 90% which will add 5.13% on water rates

We will make some savings through delaying some water renewals works, however investment will need to increase to bring delivery rates up in the future.

Together three waters changes will add 20.46% on three waters rates (equating to 7.09% of the total average rates increase).

Tell us what you think

What do you think about the proposed Annual Plan for 2025/2026?

What do you think about the proposal to close Wachner Place Toilets?

Looking ahead...

are there suggestions for services you would like to see reduced to make further savings in future years?

More information online - letstalk.icc.govt.nz/annualplan



Fees and charges

Council charges users for a range of services. We are proposing a series of increases to better balance the cost of providing services across rates and fees.

The bus fares need to change significantly in line with Central Government requirements.

Water and sewerage commercial fees – The volume charges for both these services will need to rise by 15% and 38% respectively to cover increased depreciation and ringfencing costs.

Solid waste fees will need to rise to cover increased Emissions Trading Scheme and Levy increases.

A 10% increase in parking fees is proposed. In addition, the information on fines has been updated in line with the new Parking Control Bylaw.

Crematorium and cemetery fee increases of 15% are required to more accurately cover costs.

Charges for large commercial events at venues including the Civic Theatre will change.

There will be a small increase in adult fees to use Splash Palace but this will be offset by a drop in entry fees for children.

Building consent fees are proposed to increase to move closer to cost recovery.

The draft Fees and Charges Schedule includes all proposed fees for 2025/2026.

Changes to Bus Fares

Central Government has asked all Councils to increase bus fares in order to reduce the proportion of funding for the service which is coming from rates and Central Government funding.

At the moment each bus trip costs \$20 to deliver while fares range between \$1.10 – \$3.00. 65% of our passengers are paying a discounted rate or travelling free.

The proposed new fares are:

\$5.00 Cash Fare

\$4.00 Card Fare

Free: Gold Card (off peak)

\$2.00 Community Services Card Fare

Free: Under 13 years old

These fare changes are forecast to result in approximately \$266,000 revenue from fares, as part of a total annual cost to run the service of \$3.19 million.

We know that fare increases will impact people so please share your feedback on what this will mean to you.

Council is planning ahead on how to deliver public transport in Southland. You can share your views now on the draft Regional Public Transport Plan.



Tell us what you think

What are your views on the 2025/2026 Fees and Charges?

What are your views on the proposed Regional Public Transport Plan?

More information online - letstalk.icc.govt.nz/annualplan

Delivering an affordable, locally controlled and efficient water service for the future

Central Government has asked all Councils to consider how they will deliver water, stormwater and sewerage services for the future, and to develop Water Service Delivery Plans outlining how it will work.

You will be aware of the conversation that has been going on across the country about how, as a community, we can address the challenges with our water infrastructure. Many of our pipes were built at similar times as towns and cities were founded. As a result, they are coming to the end of their life now and across the next twenty – thirty years. Not enough has been put aside to fund all these renewals.

Water quality standards have also changed, including for how we treat and discharge water, which is increasing costs. The industry has serious capacity issues, both in terms of experienced, qualified staff to run the service and the contractors needed to maintain and replace pipes and plant.

In some ways, Invercargill is in a better position than some other communities. We have regularly maintained the network, although we are pushing non-critical assets harder in order to save money. We also have capacity to take on more debt in order to deliver essential work.

In other ways, our challenges are the same as others – we have a ‘bow wave’ of essential replacement work over the next twenty years which it is very difficult to get the qualified staff and contractors to deliver. Many of our staff who have decades of experience are coming up

to retirement, and it is challenging to attract and retain the people to replace them. We have ageing wastewater treatment plants which are expected to need new technology to meet future consent requirements.

We are going to need significant rates increases to cover the costs of the needed work.

We have developed three proposed models for delivery of water services for you to consider:

- **Option 1:** Council Operated Enhanced Service
- **Option 2:** Invercargill Council Controlled Organisation
- **Option 3:** Southland Wide Council Controlled Organisation – Phased introduction of a region-wide price*

A Council Controlled Organisation (CCO) is an entity in which one or more local authorities control 50% or more of the voting rights or appoint 50% or more of the members of the governing body.

There are pros and cons to all these options.

**This option is a modelled option. The rates level would start off at the same level as Invercargill rates and then over time increase to come into line with region wide rates. No discussions with other Councils have taken place and if it were to proceed, changes to the modelled option are likely.*

New Stormwater boundary map

Council has new data available which means we better understand how water flows across the land and enters our stormwater network. We are proposing changes to our Rating Policy to include this newly available map and ensure those who have access to the network are appropriately rated.

Properties affected by this change will receive a letter.

Do you have comments on our updated Rating Policy which now includes the Stormwater Boundary Map?

As a Council, we believe the most important outcome is to provide an efficient, effective, affordable and financially sustainable service.

We have asked an independent expert to assess all options and what they mean for the level of service ratepayers can expect, what the likely costs would be and what this would mean for rates and debt, as well as the advantages and disadvantages of each approach. This information is included in the table below. All forecast costs include forecast inflation.

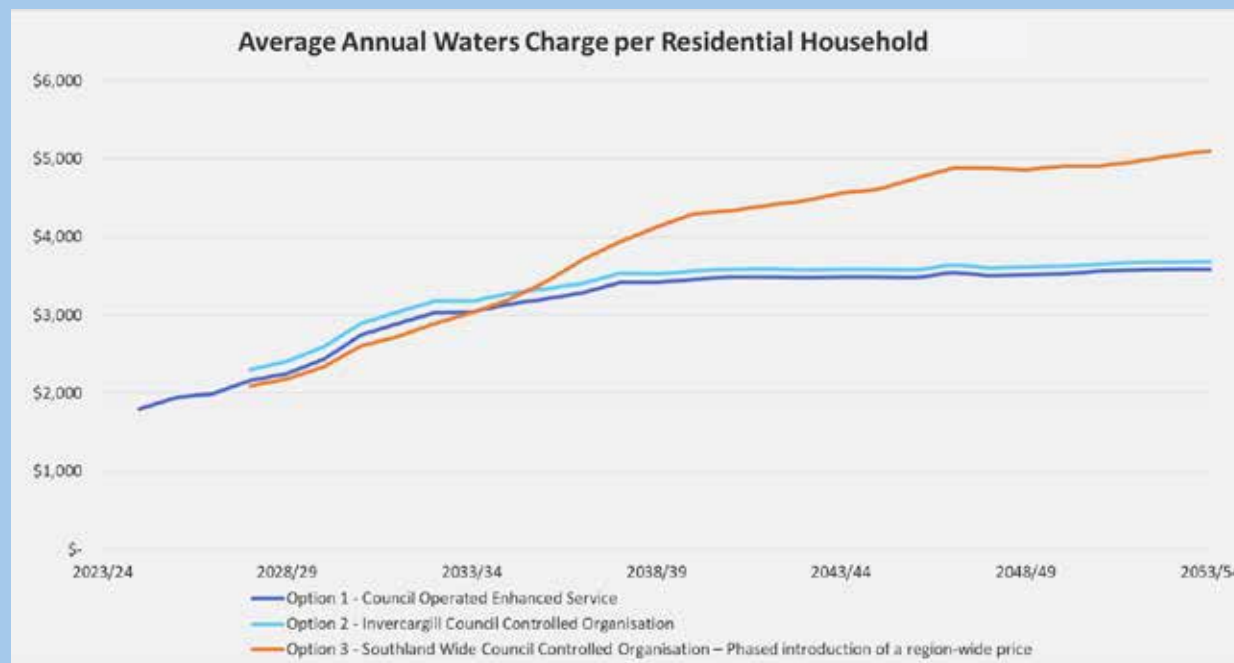
Council's preferred option is that Council continues to operate an enhanced service. This means we would continue to run the service, with some changes to governance and the management structure to provide additional oversight. We believe this provides the best balance of providing services which are efficient and sustainable, with the other outcomes of safe drinking water, services which are ready for future community needs, supporting local decision making and building a strong, capable workforce. We believe that the benefits of establishing an Invercargill only CCO does not outweigh the additional costs. The Southland CCO is not our preferred option as modelling suggests it will be more costly for the Invercargill ratepayer over the long-term.

The forecast impact of each option on rates, debt and levels of service is shown in the table below. If Council does not proceed with the Council Operated Enhanced Service, the impacts on Council rates, debt and levels of service will depend on the alternative option chosen.

The Department of Internal Affairs has been clear that it will be possible to change options in the future if circumstances change and new information becomes available.

What will it cost?

Average annual waters charge per residential household for shortlisted options



The options - the detail

OPTION	COST SUMMARY	ADVANTAGES	DISADVANTAGES
OPTION 1 Council Operated Enhanced Service (Council's preferred option) Council would continue to operate the service with a dedicated three waters committee and independent advisor	<p>Level of Service No change</p> <p>Establishment Cost No addition budget increase</p> <p>Operational Cost increase (per annum) \$0.8 million</p> <p>Impact on Council Debt Minor increase in debt related to changes to the programme to meet statutory requirements. Council will continue to hold the debt for both provision of the water and non-water services and will need to manage this when the existing debt limit is reached</p> <p>Annual Water Services charge per residential household \$3,044 by 2034 \$3,487 by 2044 \$3,590 by 2054</p> <p>Average Annual Water Services Rate Increase (2027-2034) 6.26% or \$150</p>	<ul style="list-style-type: none"> Represents second least cost option for water services delivery for ratepayers to 2034. In the longer term this is the lowest cost option. Council scale retained including ability to respond to emergency events Council has sufficient debt headroom to provide for forecasted capital works (per current LTP) Existing workforce in place with minimal changes to staffing Provides independent technical 3 Waters and Asset Management advisory role to a dedicated Council Committee to provide focus and advice on 3 Waters activity 3 Waters staff training and retention program aims to improve recruitment and retention 	<ul style="list-style-type: none"> Council may still struggle to compete with private sector / new CCOs on staff pay or career development opportunities Lack of scale and geographic isolation makes it difficult to attract contractors Requirement for Council to operate 3 Waters differently to other core Council functions to meet significant new regulatory requirements Significant debt headroom required for 3 Waters activity could constrain investment in other areas 3 Waters legislative compliance requires sustained future rates increases Risk of Commerce Commission Intervention into Council activities if economic regulation and consumer protection requirements are not met Government and DIA expectation for Councils to form joint water organisations may result in difficulties in securing Water Service Delivery Plan (WSDP) approval May limit access to Regional Deals



OPTION	COST SUMMARY	ADVANTAGES	DISADVANTAGES
<p>OPTION 2 Invercargill Council Controlled Organisation</p> <p>Financially independent Council Controlled Organisation (CCO) with an independent board to manage services which would be delivered by Council staff transferred or providing services to the new organisation</p>	<p>Level of Service Possible minor improvement</p> <p>Establishment Cost \$3.9 million additional cost</p> <p>Operational Cost increase (per annum) \$5.2 million</p> <p>Impact on Council Debt Minor increase in debt related to changes to the programme to meet statutory requirements. 3 Waters related debt will pass to the CCO and Council will be required to provide either a guarantee or uncalled capital to the CCO of an amount greater than the financial liabilities of the CCO. Council will continue to be able to borrow for non-water related activities and both will have their own separate debt limits</p> <p>Annual Water Services charge per residential household \$3,184 by 2034 \$3,590 by 2044 \$3,684 by 2054</p> <p>Average Annual Water Services Rate Increase (2027-2034) 6.99% or \$169</p>	<ul style="list-style-type: none"> ▪ 3 Waters focused decision making within the entity ▪ Council activities not constrained by 3 Waters investment requirements ▪ Own balance sheet and able to borrow up to 500% of 3 Waters revenue and ability to smooth debt profile ▪ Financially independent from Council, allowing it to more easily meet the future requirements to produce separate financial statements and water services strategies ▪ Directly accountable to its customers / communities for the setting of water charges ▪ Improved attraction, training and retention of staff versus in-house options ▪ Council responsible for establishing the CCO including who will be appointed to the board. Council will also retain the ability to set clear expectations for the CCO either through its statement of expectations and intent under the LGA or under the Water Services Bill provisions 	<ul style="list-style-type: none"> ▪ Government and DIA expectation for Councils to form joint water organisations may result in difficulties in securing WSDP approval ▪ May limit access to Regional Deals ▪ Cost of CCO setup and operation ▪ Council scale reduced impacting ability to respond to emergency events ▪ Reduced ability of Council to make decisions in relation to 3 Waters ▪ Potential focus on service delivery at the expense of strategic city objectives



OPTION	COST SUMMARY	ADVANTAGES	DISADVANTAGES
OPTION 3 Southland Wide Council Controlled Organisation – Phased introduction of a region-wide price A financially independent CCO with an independent board to deliver services across Southland This is based on a hypothetical model. No formal negotiations have taken place	<p>Level of Service Possible minor improvement</p> <p>Establishment Cost \$7.9 million additional cost</p> <p>Operational Cost increase (per annum) \$9.0 million</p> <p>Impact on Council Debt Minor increase in debt related to changes to the programme to meet statutory requirements. 3 Waters related debt will pass to the CCO and Council will be required to provide either a guarantee or uncalled capital to the CCO of an amount greater than the financial liabilities of the CCO. Council will continue to be able to borrow for non-water related activities and both will have their own separate debt limits</p> <p>Annual Water Services charge per residential household \$3,033 by 2034 \$4,566 by 2044 \$5,105 by 2054</p> <p>Average Annual Water Services Rate Increase (2027-2034) 6.17% or \$148</p>	<ul style="list-style-type: none"> Aligns with Government expectations that Councils will work together to establish joint water organisations 3 Waters focused decision making within the entity Scale will allow improved access to specialists and expertise Own balance sheet and would be able to borrow up to 500% of its 3 Waters revenue Financially independent from councils, allowing it to more easily meet the future requirements to produce separate financial statements and water services strategies Directly accountable to its customers / communities for the setting of water charges Improved attraction, training and retention of staff versus in house and stand-alone CCO options Improved focus on regional priorities Potential greater access to Regional Deals Consistent with direction of amalgamation discussions Phased introduction of a region wide price reduces average household costs in the short and medium term for Invercargill City customers 	<ul style="list-style-type: none"> Difficult to achieve agreement across all councils – in particular, for a phased introduction of region-wide pricing In the medium to long term, risk that the entity would adopt a region wide price which would result in highest cost option for Invercargill ratepayers of all short-listed options Without appropriate processes in place, some communities may receive higher proportionate levels of investment than others and the prioritisation of investment may differ or change in timing vs if delivered via Council The entity will be able to set 3 Waters prices entirely independently from decisions made by councils, and these decisions may have affordability implications for communities. Economic regulation offers some mitigation The water services organisation may seek to choose investment options that present the minimum cost to achieve compliance rather than reflecting local community expectations for a higher level of service Legacy Council scale reduced impacting ability to respond to emergency events

More Information online –
letstalk.icc.govt.nz/annualplan

Tell us what you think
 Which is your preferred Water Service Delivery Option?

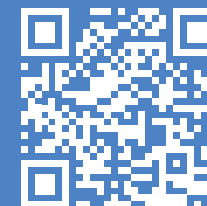
Option 1 Council Operated Enhanced Service (Council's preferred option)

Option 2 Invercargill Council Controlled Organisation

Option 3 Southland Regional Council Controlled Organisation

Do you have comments on our updated Rating Policy which now includes the Stormwater Boundary Map?

Scan the QR code to have your say



Urban Play



As part of the vision for the city centre, we put aside \$4.956 million (of \$6.5 million needed) in the Long-term Plan for 'Urban Play to Make You Stay'. The delivery of this programme of work includes developing a multipurpose city centre play space or 'play hub', a play trail connecting the space to other city centre locations, and play activations like temporary installations and activities.

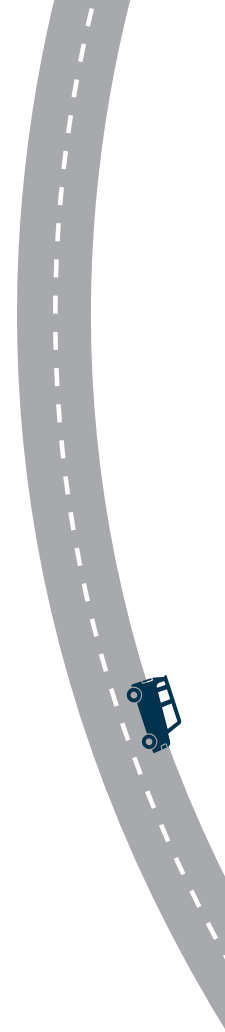
However, there are other areas in the city we know also need investment, for example, Elizabeth Park in South Invercargill or the provision of more play in Bluff.

Where do you think we should invest in play?

We've also been out and talking to the community about what you love, wish for, and wonder about for play and we've developed a draft Play Strategy based on your feedback with four key outcomes:

1. Inclusive Play Opportunities
2. Innovative Play Integration
3. Community Partnership and Ownership
4. Affordable, Sustainable, and Flexible Solutions.

What do you think about the draft Play Strategy?



We want to know what you think

OPTION 1

COUNCIL'S PREFERRED OPTION

Distributed Programme

Invest in play across the City Centre, Bluff, South Invercargill and North Invercargill

- The Distributed Programme is about providing high quality contemporary play opportunities across the Invercargill district, investing in key locations where planning work is underway in order to enhance facilities in Bluff and transform Elizabeth Park in South Invercargill into destination-level play offerings. This district-wide approach includes a scaled-down city centre programme, alongside improvements to Queens Park, ensuring exceptional play experiences are accessible to all communities across the city
- Level of service increase
- \$4.96 million capital expenditure across four years with the option to seek further additional external funding
- No additional impact on debt as this item is already budgeted for
- No additional impact on rates as this item is already budgeted for

OPTION 2

City Centre Programme

Keep the play investment in play in the city centre, likely with a focus on a play trail and activations as all the identified potential hub locations have limitations

- The City Centre Programme is about transforming Invercargill's heart with a vibrant central play hub, designed as a unique all-ages destination that celebrates local heritage and is connected to other inner city sites through an engaging trail of playable street furniture and interactive art. This network of permanent play spaces will be kept fresh and exciting through regular events and temporary installations during the investment period, creating a dynamic city centre that encourages exploration, community gathering, and year-round activity.
- Level of service increase
- \$4.96 million capital expenditure across four years with the option to seek further additional external funding
- No additional impact on debt as this item is already budgeted for
- No additional impact on rates as this item is already budgeted for

OPTION 3

Not to proceed with an urban play option at this time

- No debt taken on to fund the project resulting in averted debt repayment costs

More Information online -
letstalk.icc.govt.nz/annualplan

What is your preferred option for Urban play?

What do you think about the proposed Play Strategy?





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Help us make the big decisions.

Take the easy road and submit online at letstalk.icc.govt.nz.
Submissions are due by 5pm, 13 April 2025.



Full name: _____

Organisation: _____

Address: _____

Email: _____

☐

I would like to speak on my submission

Hearings are planned for 29 April. If you would like to speak to Councillors about your submission, please provide your phone number so we can contact you with the date and time:

Phone: _____





What is your feedback on our proposed Annual Plan?

Looking ahead...

Are there suggestions for services you would like to see reduced to make further savings in future years?

Please include more pages if required.



What do you think about the proposal to close the Wachner Place toilets?

Please include more pages if required.





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What are your views on the 2025/2026 Fees and Charges?

Please include more pages if required.



What are your views on the proposed Regional Public Transport Plan?

Please include more pages if required.





Which is your preferred Water Service Delivery Option?

- ☐ Option 1 - Council Operated Enhanced Service (Council's preferred option)
- ☐ Option 2 - Invercargill Council Controlled Organisation
- ☐ Option 3 - Southland Regional Council Controlled Organisation with phased introduction of region-wide pricing

Do you have comments about your preferred option?

Please include more pages if required.



Do you have comments on our updated Rating Policy which now includes the Stormwater Boundary Map?

Please include more pages if required.





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What is your preferred option for Urban Play?

- ☐ **Option 1** - Distributed Option (Council's Preferred Option) - Invest in play across Bluff, South Invercargill, the City Centre and North Invercargill
- ☐ **Option 2** - City Centre Programme
- ☐ **Option 3** - Not to proceed with an urban play option at this time

Do you have comments about your preferred option?

Please include more pages if required.



What do you think about the proposed Play Strategy?

Please include more pages if required.





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Please include more pages if required.



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Do you live in the
Invercargill District?

☐ Yes No ☐



How did you hear about the Annual Plan consultation?

- ☐ Website
- ☐ Facebook
- ☐ Public meeting
- ☐ Event
- ☐ Newspaper
- ☐ Radio
- ☐ Other _____



**Don't forget to make your
submission by 13 April 2025.**



Please provide your email address if you would
like to stay up to date on Council consultations
and engagements.

↑ Secure here



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Help us with the big decisions for the year ahead



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FREEPOST - ICC
Annual Plan 2025-2026
Submission
Invercargill City Council
Private Bag 90104
INVERCARGILL 9810

