



## Mayor's Comment

*He karere na te koromātua*

This has been one of the toughest years our city has faced in its recent history.

The reforms

proposed in the amendments of the Local Government Act could smash Local Government as we know it. I've experienced the great purge of 1989 and it was a nightmare. The staff are all sacked and you have to re-hire them along with an army of consultants, then you have to realign computer systems, Annual Plans and Long Term Plans, then you have to deal with debts and assets. As a result no new initiatives are launched over the year it takes to achieve these objectives.

The other great challenge we face is the distribution of transmission costs for electricity from the national grid. The Tiwai Smelter is an example of local industry that is paying exorbitant transmission costs even though it is right next door to the Manapouri Power Station. The South Island is paying for the entire cost of maintaining the Cook Strait cable. At the

same time there is an intense Local Government election being held and there is a high degree of anxiety about the future. While Councillors are trying to focus on these highly traumatic issues we are continually having to deal with issues such as the Christmas lights from China saga.

Looking at the bigger picture this Council can feel proud of its achievements over the last year. We committed ourselves to an upgraded water purification plant at Branxholme, we completed a new Airport Terminal and we saved Rugby Park. The Zero Fee Scheme is still attracting students from all over the country and yet another feature film has been completed. We have attracted several major events to our city such as the World Shearing Championships, tourism is booming, the price of milk is rising and our population increased by 2.7% at the last census.

We can look forward to a positive future.

*Mayor Tim Shadbolt*

# Chief Executive's Comment

*He karere na te tumu whararae*



I am pleased to present the Invercargill City Council's 2015/16 Annual Report. The Council has been working hard to deliver improved services for all residents, providing greater opportunities for residents

to have their say on Council policy and looking to positively influence change in the City through new initiatives and encouraging more activity, especially within the CBD. For the foreseeable future, Invercargill City will have to actively promote the City Centre rejuvenation drive and encourage residents to continue backing local business.

This is a time of opportunity for the City. With local body elections coming up we have seen the highest turnout of candidates since 2001. The high number of candidates is positive with many locals taking an interest in their community, having innovative ideas and continuing to work towards enhancing our City's vision. It is an exciting space to watch as it is our first social media election campaign, with many candidates utilising it to access and engage with their audience on a personable level.

Our successful shared service for solid waste collection and disposal was recognised by Local Government New Zealand. As a result we assisted in Kiribati as part of a New Zealand Foreign Affairs and Trade Aid Programme where we initiated an

agreement to establish shared waste services between Betio Town Council and the Teinainano Urban Council. It was a fantastic opportunity to see one of our unique services highlighted as a model to follow. We have also been active with our partnership in the Southland Regional Development Strategy - whilst there are many challenges ahead, these are being noted and a strong workforce has been working toward countering these issues and working forward towards our goal of increasing our population and reinvigorating our city centre.

I am confident that our Council has the strategic direction we need, and are clear about what services we can provide to deliver to our residents. I wish to acknowledge our Councillors, Staff and the community for their contribution to our great City. Their ability to improve performance year by year is a result of their hard work, dedication and the passion that drives them. This report shows what we have achieved together over the last year, and how well we are set up to do more in the year ahead. I look forward to seeing what we can achieve together with our new Council in the upcoming year.

Richard King  
**CHIEF EXECUTIVE**

In the opinion of the Council and management of Invercargill City Council, this Summary Annual Report represents fairly and consistently the financial position and operations of Council as detailed in the Annual Report 2015/16. This Summary Annual Report is authorised for release by the undersigned on 8 November 2016.

Tim Shadbolt, Mayor

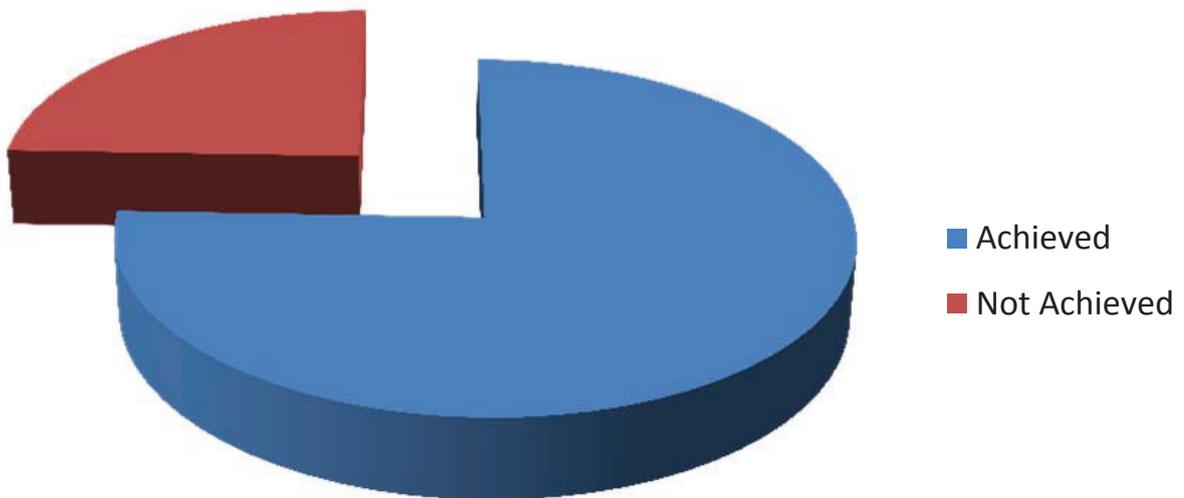
Richard King,  
Chief Executive Officer

Dean Johnston  
Director of Finance  
and Corporate Services

# Summary of Service

## SUMMARY OF ACTIVITIES AND LEVELS OF PERFORMANCE

The 2015/16 Annual Plan identified 91 levels of service against which its performance would be measured for its activities. 18 of these were Department of Internal Affairs measures. The levels of service were what Council wanted to provide to its community and the actual measurement indicates whether or not it has been delivered.



Council achieved 69 of its 91 measures.

In the graph above, "Achieved" means that the 2015/16 performance measure was met or exceeded. "Not Achieved" means the 2015/16 performance measure was not undertaken or not provided to the target level.

This Annual Report details the performance measures and their achievement for the activities. A summary of how these activities positively contribute towards Council's four Community Outcomes is detailed below.

Community Outcome	Activity and Performance Measure	2015/16 Target	2015/16 Actual
Healthy lifestyle in a healthy environment.	Civil Defence - Percentage of surveyed households prepared for an emergency including self-sufficiency for three days.	50% by 2016	Achieved - 51% (New Measure)
	Libraries and Archives - Membership as a percentage of the total population.	65% - 75%	Achieved - 70.52% (2014/15: Achieved - 71%)
	Passenger Transport - Homes in the Invercargill urban area are within 400 metres of a serviced bus route.	90%	Achieved - 90% (2014/15: Achieved - 90%)
	Pools - Number of visits to Splash Palace per head of Invercargill population.	At least 6	Achieved - 7.6 visits (2014/15: Achieved - 7.7 visits)
	Public Toilets - Automated toilets are available 24 hours a day.	95%	Achieved - 99% (2014/15: Achieved - 97%)
	Water Supply - Ministry of Health Grade.	Invercargill - Aa Bluff - Aa	Not Achieved. (2014/15: Not Achieved)
	<b>Safety of Drinking Water</b> The extent to which the local authority's drinking water complies with: (a) Part 4 of the drinking water standards (bacteria compliance criteria). (b) Part 5 of the drinking water standards (protozoal compliance criteria).	(a) 100% (b) 100%	Achieved Not Achieved <sup>6</sup> (New Measure)
	<b>Discharge Compliance</b> Compliance with the Council's resource consents for discharge from its sewerage system measured by the number of: • Abatement notices • Infringement notices • Enforcement orders • Convictions received by Council in relation to those resource consents.	100% compliance.  No abatement notices, enforcement orders or convictions are recorded against Council in relation to its resource consents in any one year.	Achieved - Zero abatement notices, enforcement orders or convictions.  (New Measure)

Community Outcome	Activity and Performance Measure	2015/16 Target	2015/16 Actual
A diverse and growing economy.	Compliance - Parking patrols of Council managed parking spaces.	Average 80 hours patrolling per week.	Achieved - average of 108 patrolling hours. (2014/15: Achieved - 94 hours)
	Destinational Marketing - Number of tourism businesses using Venture Southland services.	>25	Achieved - 105 businesses* (2014/15: Achieved - 98)
	Enterprise - Business Mentor Programme.	50 mentor/client matches.	Not Achieved - 36 (New Measure)
	Investment Property - Rate of return is at least equal to the current market interest rate.	Achieve current market interest rate.	Achieved - 5.08% (2014/15: Achieved)
	Solid Waste Management - Maintain a regional materials discarded rate of 605kg disposed per person.	Maintain.	Not Achieved - 653kg disposed per person. (New Measure)
	Pools - Percentage of Swim School customers who rated their experience as good or very good when surveyed.	80%	Achieved - 85% (2014/15: Achieved - 95.6%)
	Road condition - The average quality of ride on a sealed local road network, measured by smooth travel exposure.	Urban > 81% Rural > 93%	Achieved: - Urban 87% - Rural 96% - Both 89% (New Measure)
	<b>Maintenance of the Reticulation Network</b> The percentage of real water loss from the networked reticulation system (calculated according to the methodology outlined in Water NZ Water Loss Guidelines publication February 2010).	Less than 30%	Achieved <sup>7</sup> (New Measure)

\* NB. The results are for the Southland Region, not just Invercargill.

Community Outcome	Activity and Performance Measure	2015/16 Target	2015/16 Actual
A city that is a great place to live and visit.	Building Control - Accreditation as a Building Consent Authority is retained.	Accreditation is retained.	Achieved - Assessment report included three Corrective Action Requests which were addressed and approved by IANZ (Auditors) in August 2016.  (2014/15: Achieved - Audit undertaken in June 2014. Accreditation was retained).
	Democratic Process - Percentage of residents survey respondents who provide a rating of satisfied or greater with the opportunities Council provides for community involvement in decision making.	50%	Not Achieved - 34% (New Measure)
	Destinational Marketing - Number of media and famil* opportunities facilitated.	8 per year	Achieved - 40 famils (28 media, 12 trade) (2014/15: Achieved - 23)
	Housing - Rental does not exceed 30% of the gross superannuation benefit	<30%	Achieved - All rents are below 30% (2014/15: Achieved)
	Parks and Reserves - Percentage of urban residents within 500 metres of a park or reserve.	100%	Not Achieved - 96% (2014/15: Achieved - 96%)
	Passenger Transport - All members of the community have the opportunity to use the public transport.	Total Mobility Scheme is administered.	Achieved. (2014/15: Achieved - Total mobility administered and delivered to the community).

\*Famil – a free or low-cost trip for travel agents or consultants, provided by a travel wholesaler as a means of promoting their service.

Community Outcome	Activity and Performance Measure	2015/16 Target	2015/16 Actual
Strong, innovative leadership.	Animal Services - Trained staff are available 24 hours per day, seven days a week.	Achieved.	Achieved. (2014/15: Achieved)
	Compliance - Educational material is distributed at schools.	Distributed to eight schools per year.	Achieved. (2014/15: Achieved)
	Roading - Council's cycling network is fully marked.	Increasing percentage.	Achieved - additional cycle-way added.  (2014/15: Not Achieved - 83%)
	Sewerage - Service disruptions for individual properties are less than 12 hours.	100%	Not Achieved - 87.5%  (2014/15: Not Achieved - 83%)
	Building Control - Statutory time frames for processing consents are met.	100%	Not Achieved - 99.06%  (2014/15: Not Achieved - 99.70%)
	Stormwater - Complaints of stormwater blockage responded to within one hour.	90%	Achieved - 91.76%  (2014/15: Not Achieved - 71%)

# Uncompleted Projects

Not all projects planned and funded in 2015/16 were completed. Projects valued over \$100,000 which will now be completed or undertaken in 2016/17 are:

Community Services	
▪ Passenger Transport - National Regional Ticketing Project	\$174,000 (funded from Rates)
Infrastructure and Services	
▪ Services Administration - Asset Management System	\$350,000 (funded from Rates)
▪ Drainage - Sewerage - Clifton - Waste Water Treatment Plant	\$2,158,960 (funded from Rates and Special Funds)
▪ Drainage - Sewerage - Beatrice Street Treatment Pond	\$100,000 (funded from Loan)
▪ Drainage - Sewerage - Mersey Street foul sewer	\$197,982 (funded from Rates)
▪ Drainage - Sewerage - Mersey Street raising main	\$226,742 (funded from Rates)
▪ Drainage - Sewerage - Kennington sewerage scheme	\$978,993 (funded from Loan and User Levies)
▪ Drainage - Stormwater Renewals - Prestonville pump installation	\$183,654 (funded from Loan)
▪ Drainage - Stormwater Renewals - Ythan/Jed Street pipe network	\$997,027 (funded from Rates)
▪ Parks and Reserves - Operational plant	\$177,000 (funded from Rates)
▪ Parks and Reserves - Anderson Park building	\$100,000 (funded from Rates)
▪ Property - Bluff Service Centre	\$109,000 (funded from Special Funds)
▪ Property - Library	\$995,000 (funded from Loan and Special Funds)
▪ Property - Administration Building	\$3,526,000 (funded from Loan)
▪ Property - Splash Palace	\$1,400,000 (funded from Loan)
▪ Roading - Surveillance Cameras	\$116,500 (funded from Rates)
▪ Roading - Footpaths and Frontages - Maintenance and Capital	\$435,000 (funded from Rates)
▪ Roading - Parking Facilities - Car parking changes	\$250,000 (funded from Loan)
▪ Water - Branxholme duplicate pipeline	\$280,000 (funded from Rates)
▪ Water - Asbestos cement mains renewals	\$822,074 (funded from Rates)
▪ Water - Bluff pipeline replacement	\$485,551 (funded from Loan)
▪ Water - Supply to Awarua Industrial Estate	\$100,000 (funded from Loan)
▪ Water - Branxholme plant upgrade	\$11,033,455 (funded from Loan and Rates)
▪ Water - Emergency water supply	\$202,000 (funded from Loan)
▪ Water - Waikiwi Pump Station pump and equipment	\$290,000 (funded from Loan and Rates)
▪ Water - City Pump station and equipment	\$250,000 (funded from Rates)
Finance and Policy	
▪ Corporate Service - Phone System	\$105,174 (funded from Special Funds)
▪ CBD Redevelopment - Inner City Upgrade capital works	\$2,804,995 (funded from Loan and Special Funds)
▪ Grants - Walkway to Bluff (with Southland Regional Council)	\$150,000 (funded from Rates)

# Financial Overview

Financial Performance Summary	2014/15 \$000	2015/16 \$000
Rates Revenue	46,022	47,883
Other Revenue, Other Gains & Losses and Interest Revenue	31,245	36,614
Operating Expenditure including Interest Expenditure	78,104	83,645
Operating Surplus/(Deficit)	(837)	852
Working Capital (excluding loan facility)	3,923	29,799
Total Assets	739,944	783,386
External Debt	28,861	71,248
Fixed Assets (Net Book value)	670,117	670,691

Financial Statistics Summary	2014/15 \$000	2015/16 \$000
Proportion of rates to Total Operating Revenue	59.05%	56.67%
Average rate revenue per rateable property	\$1,837.28	\$1,914.94
External Term Debt (as a percentage of total assets)	3.90%	9.09%
External Term Debt (per rateable property)	\$1,152.18	\$2,849.35

Ratepayer Data	2014/15	2015/16
Total Rateable Properties	25,049	25,005

# Financial Prudence Benchmarks

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

The Council is required to include the Statement in its Annual Report in accordance with the Local Government (Financial Reporting and Prudence)

Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this Statement.

Please note, prior to the 2012 - 2022 Long-Term Plan, these benchmarks were not required, and therefore are missing from the following graphs. The current year figures come from the 2015-2025 Long-Term Plan.

**KEY**  Benchmark Met  Benchmark Not Met  Benchmark

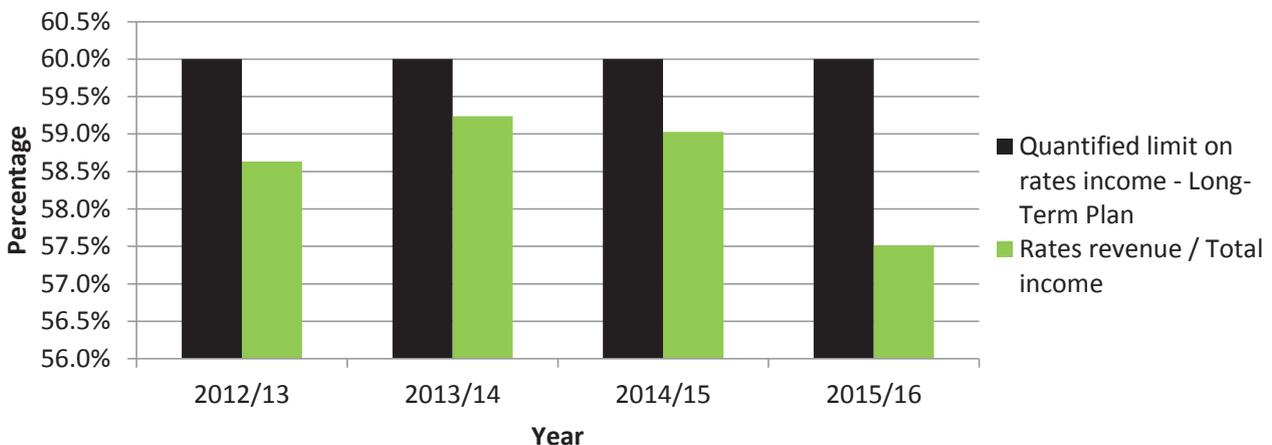
## RATES (INCOME) AFFORDABILITY BENCHMARK

	2012/13	2013/14	2014/15	Year of Annual Report 2015/16
	\$'000	\$'000	\$'000	\$'000
Total Rates Revenue - Annual Report	45,206	45,781	46,022	47,883
Other income - Annual Report	31,894	31,504	31,940	35,369
Total Income - Annual Report	77,100	77,285	77,962	83,252

The Council meets the rates affordability benchmark if -  
 - its actual rates income equals or is less than each quantified limit on rates; and  
 - its actual rates increases equal or are less than each quantified limit on rates increases.

The following graph compares the Council's actual rates income with the limit imposed in the Long-Term Plan being *"Rates revenue as a source will not exceed 60% of its total revenues"*.

### Limit On Rates



Council aims to maintain the rates collected at a maximum of 60% of the total Council revenue. Council has achieved this over the past four years.

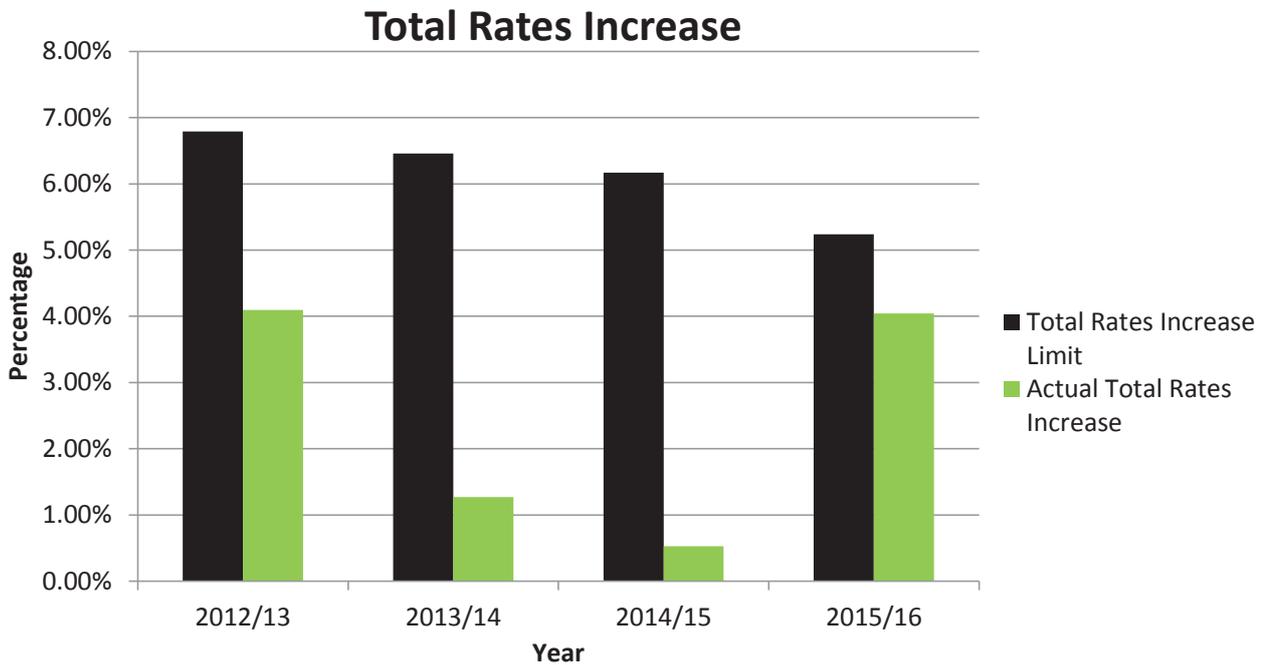
## TOTAL RATES INCREASE

	2012/13	2013/14	2014/15	Year of Annual Report 2015/16
	\$'000	\$'000	\$'000	\$'000
Total Rates Revenue - Annual Report	45,206	45,781	46,022	47,883
LGCI (Local Government Cost Index)	3.79%	3.46%	3.17%	2.24%
Additional Limit	3.00%	3.00%	3.00%	3.00%

The Council meets the rates affordability benchmark if -

- its actual rates income equals or is less than each quantified limit on rates; and
- its actual rates increases equal or are less than each quantified limit on rates increases.

The following graph compares the Council's actual rates income with the limit imposed in the Long-Term Plan being *"Total rates increases will be limited to forecast LGCI + 3.0%"*.



Council's financial strategy aims to limit rates increase to forecast LGCI + 3.0%. As shown above Council has achieved this goal for the last four financial years.

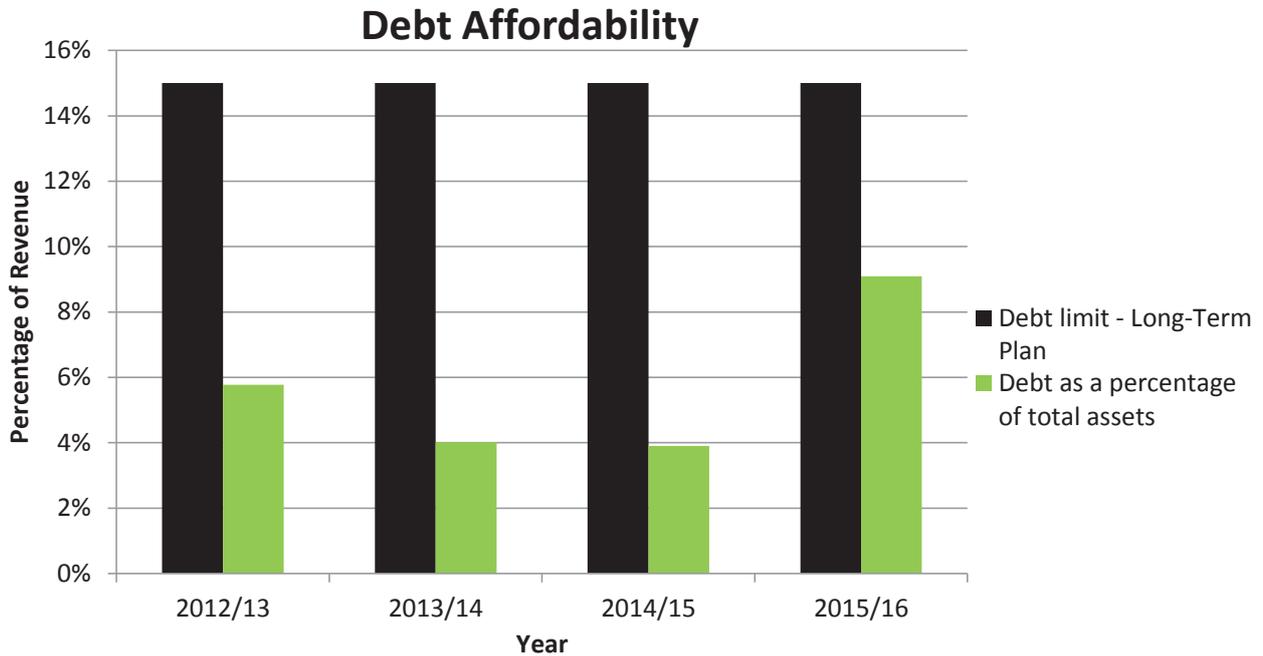
**DEBT AFFORDABILITY BENCHMARK**

	2012/13	2013/14	2014/15	Year of Annual Report 2015/16
	\$'000	\$'000	\$'000	\$'000
Total Assets - Annual Report	698,889	740,095	739,944	783,386
External Borrowing	40,331	29,716	28,861	71,248

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

Council's current and historical limit per the Long-Term Plan is that borrowing of external funds is limited to 15% of total assets.

The following graph compares the Council's actual borrowing with this limit.



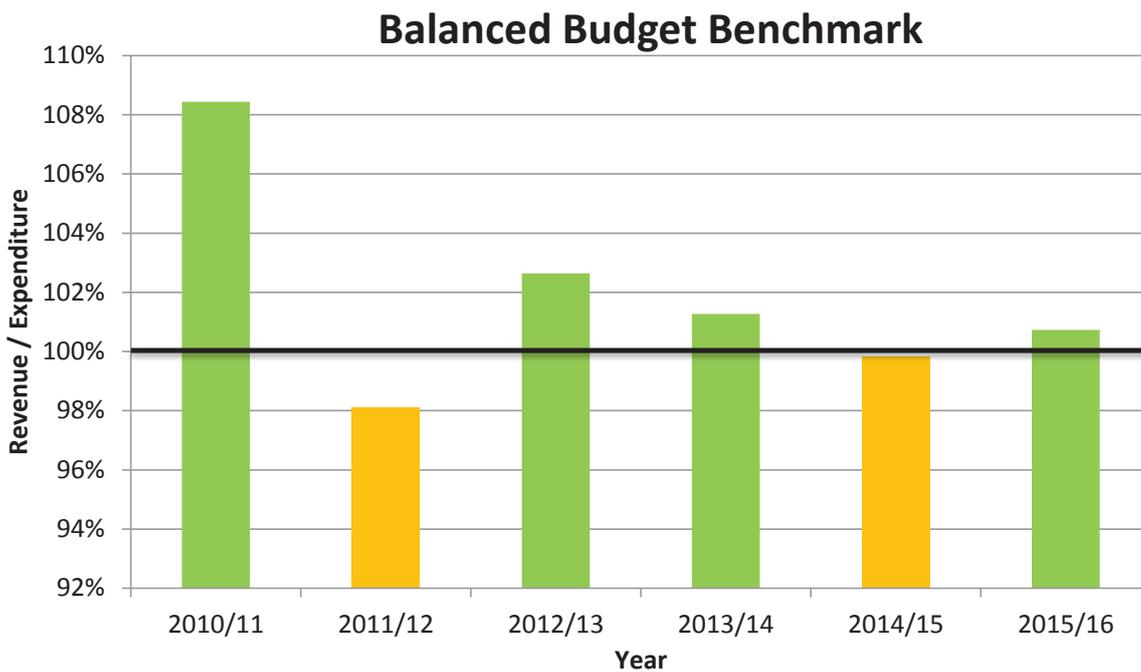
The Council has a low percentage of debt in relation to total assets, and is mindful of keeping debt to a manageable level. Council considers that setting a borrowing limit of 15% of assets will assist in prudently managing Council's borrowing activities to ensure the ongoing funding of Council.

In 2015/16 Council refinanced its internal debt (\$14 million) with external debt, and issued a \$30 million bond that was then lent to its subsidiary Invercargill City Holdings Limited. This has increased this measure from 4% last year to 9% this year, which is still less than 15% limit that Council has set.

### BALANCED BUDGET BENCHMARK

	2010/11	2011/12	2012/13	2013/14	2014/15	Year of Annual Report 2015/16
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total Revenue (Excluding *)	74,614	69,815	76,776	77,285	77,962	84,474
Total Expenditure (Excluding ^)	68,805	71,153	74,797	76,314	78,104	83,860

The following graph displays the Council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant and equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant and equipment). The Council meets this benchmark if its revenue equals or is greater than its operating expenses.



\* Excludes - Development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluation gains.

^ Excludes - Losses on derivative financial instruments and revaluations of property, plant and equipment

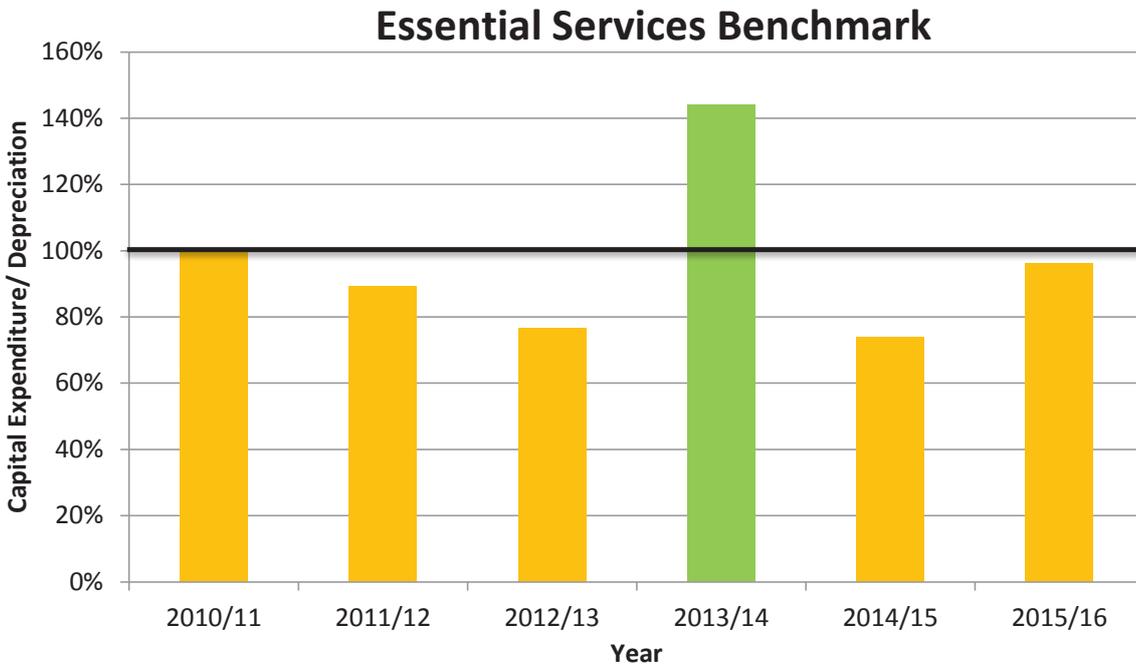
Note: Only revaluations of property, plant and equipment are excluded. Revaluation gains and losses on forestry, investments, investment property and carbon credits are included.

Council is aware of the issue of affordability and financial sustainability. Council revenue has been greater than its operating expenses ^ for four of the past six years. Council continues to investigate efficiencies to reduce expenditure and increase other revenue, and by doing so reduce the revenue needed from rates.

**ESSENTIAL SERVICES BENCHMARK**

	2011/12	2012/13	2013/14	2014/15	Year of Annual Report 2015/16
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital Expenditure (Additions) *	12,918	11,047	21,468	12,455	16,684
Depreciation ^	14,472	14,412	14,895	16,839	17,373

The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on those network service assets. The Council meets this benchmark if its capital expenditure on network services equals or is greater than the depreciation of those network service assets.



\* Capital expenditure on network assets has been deemed to be additions to Infrastructural Assets as per Note 11: Property, plant and equipment.

^ Depreciation on network assets has been deemed to be depreciation of Infrastructural Assets as per Note 11: Property, plant and equipment.

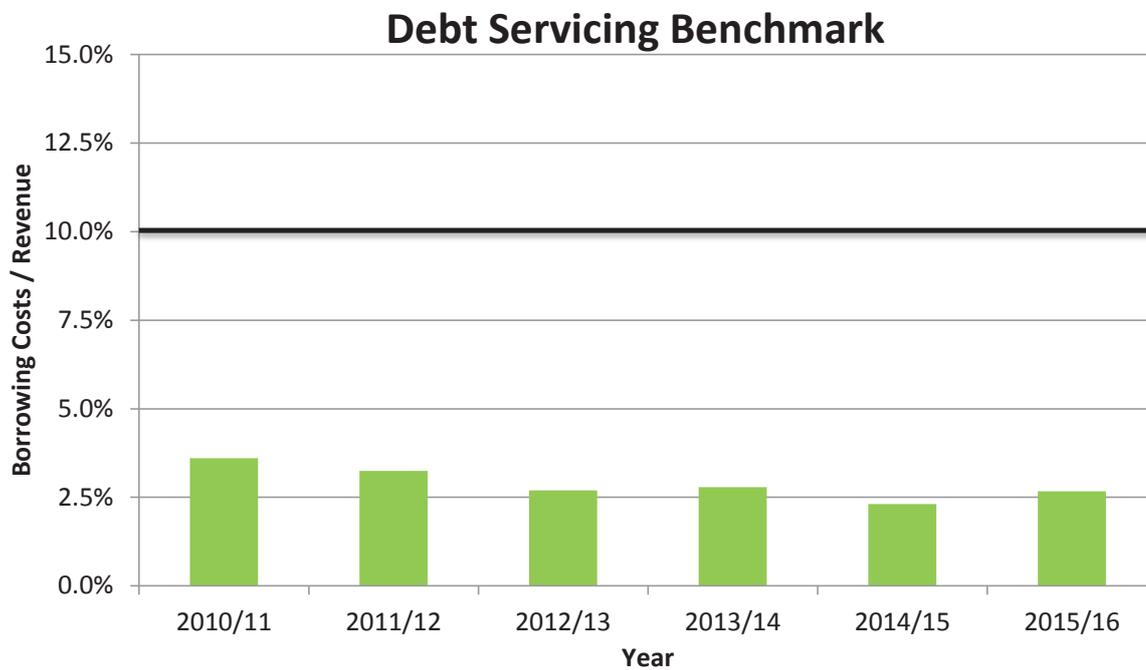
Over time Council's capital expenditure should equal its depreciation, which will mean that Council is replacing its assets as they deteriorate. However, due to some projects being large, it is hard to assess this on a year-by-year basis. During the 2015/16 year Council spent less on capital expenditure than depreciation. This expenditure gap is expected to be closed in the 2016/17 year as larger capital projects are completed. An example of this is the upgrade of the large water treatment plant at Branxholme which was started in the 2015/16 year and is due for completion in the 2016/17 year.

## DEBT SERVICING BENCHMARK

	2011/12	2012/13	2013/14	2014/15	Year of Annual Report 2015/16
	\$'000	\$'000	\$'000	\$'000	\$'000
Borrowing Costs *	2,268	2,070	2,154	1,801	2,253
Revenue (Balanced Budget)	69,815	76,776	77,285	77,962	84,474

The following graph displays the Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant and equipment).

Because Statistics New Zealand projects that the Council's population will grow more slowly than the national population growth rate, then Council meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue.



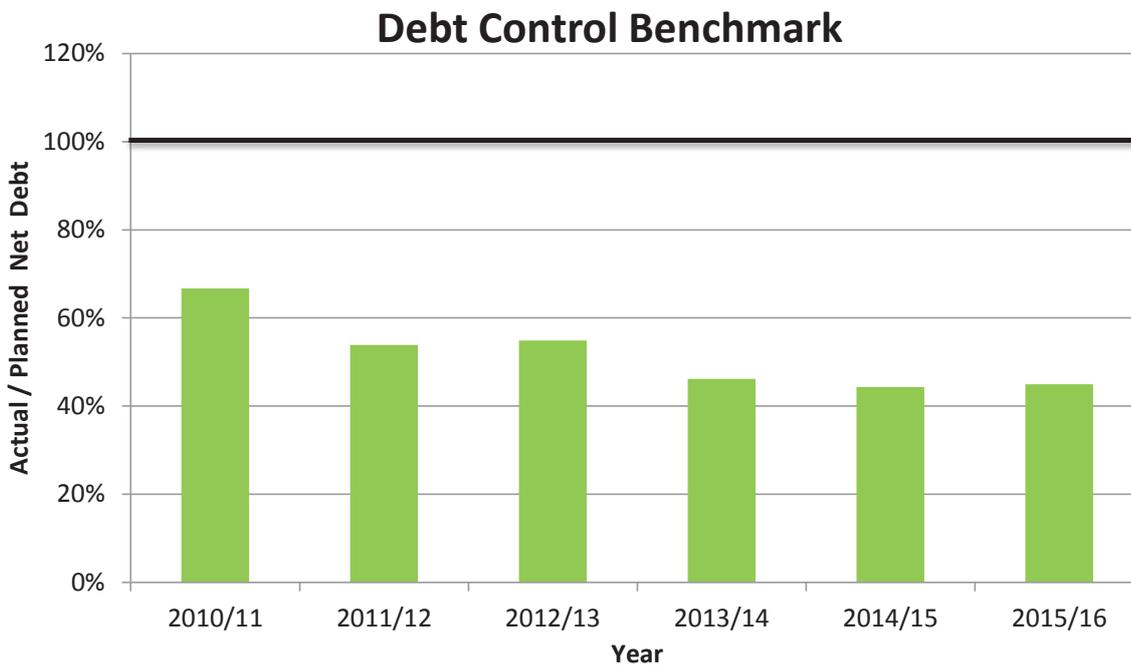
\* Deemed to be Finance Expenses from the Statement of Comprehensive Revenue and Expense.

Council's cost of debt is well under the legislative threshold of 10% of revenue. Borrowing costs have increased from 2014/15 due to the refinancing of internal debt with external debt.

## DEBT CONTROL BENCHMARK

	2011/12	2012/13	2013/14	2014/15	Year of Annual Report 2015/16
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Actuals</b>					
Financial Assets - Annual Report *	18,061	21,843	13,746	15,278	59,529
Financial Liabilities - Annual Report ^	44,103	50,958	38,989	39,803	81,978
Actual Net Debt	26,042	29,115	25,243	24,525	22,449
<b>Planned</b>					
Financial Assets *	12,532	10,855	12,699	16,063	7,833
Financial Liabilities ^	60,868	63,918	67,368	71,436	57,791
Planned Net Debt	48,336	53,063	54,669	55,373	49,958

The following graph displays the Council's actual net debt as a proportion of planned net debt. In this statement net debt means financial liabilities less financial assets (excluding trade and other receivables).



\* Financial Assets (excluding trade and other receivables) - as per Annual Report or Annual Plan (LTP) - Statement of Financial Position.

^ Financial Liabilities - as per Annual Report or Annual Plan (LTP) - Statement of Financial Position.

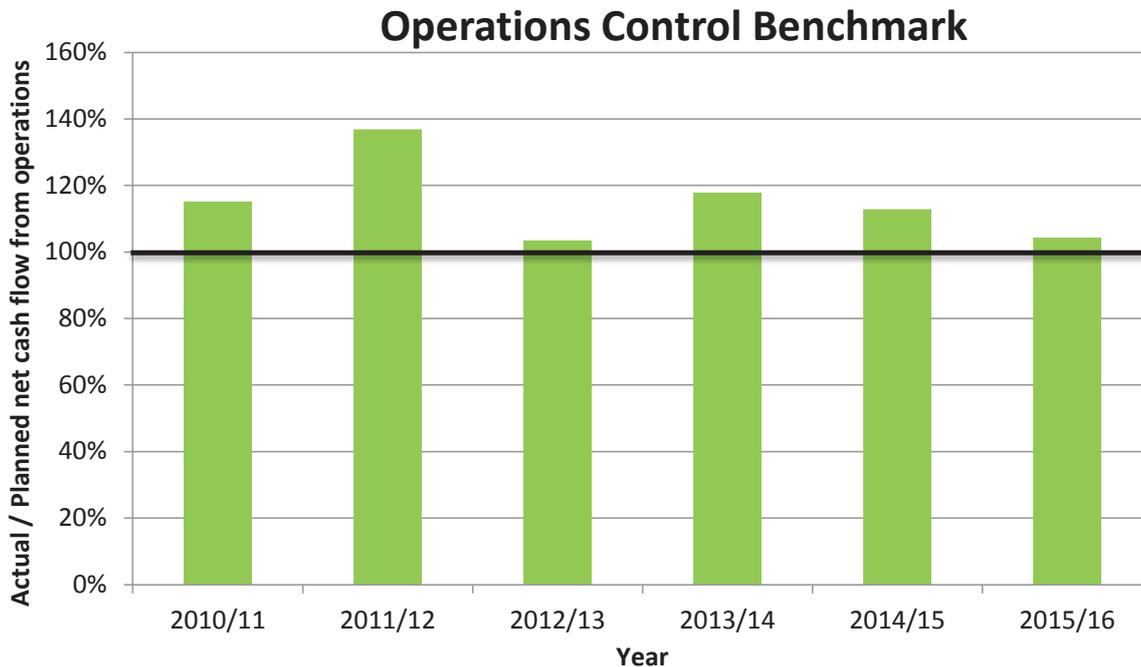
Council's actual net debt position has consistently been below its planned net debt position for the past six years. Council's net debt has remained lower than planned net debt due to the deferral of large debt funded capital projects.

## OPERATIONS CONTROL BENCHMARK

	2011/12	2012/13	2013/14	2014/15	Year of Annual Report 2015/16
	\$'000	\$'000	\$'000	\$'000	\$'000
Actual Net Cash flows from Operations *	20,404	18,530	20,248	20,906	20,370
Planned Net Cash flows from Operations ^	14,909	17,907	17,183	18,526	19,530

This graph displays the Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



\* Taken from the Statement of Cash Flows in the relevant year's Annual Report.

^ Taken from the Statement of Cash Flows in the relevant year's Long-term Plan.

Council has consistently met the operations control benchmark, with actual net cash flows from operations slightly higher than planned cash flows in all six years.

# Summary Statements

## STATEMENT OF FINANCIAL POSITION

For the year ended June 30, 2016

	Council Actual 2016 (\$000)	Council Budget 2016 (\$000)	Council Actual 2015 (\$000)	Group Actual 2016 (\$000)	Group Actual 2015 (\$000)
<b>Equity</b>	<b>696,746</b>	<b>696,013</b>	<b>696,108</b>	<b>767,465</b>	<b>763,762</b>
<b>Represented by:</b>					
Current assets	42,026	17,096	16,626	43,210	25,501
Non-current assets	741,360	740,473	723,318	927,271	889,216
Total assets	783,386	757,569	739,944	970,481	914,717
Current liabilities	12,227	14,890	12,703	20,568	23,299
Non-current liabilities	74,413	46,666	31,133	182,448	127,656
Total liabilities	86,640	61,556	43,836	203,016	150,955
<b>Net assets</b>	<b>696,746</b>	<b>696,013</b>	<b>696,108</b>	<b>767,465</b>	<b>763,762</b>

## STATEMENT OF CHANGES IN NET ASSETS

For the year ended June 30, 2016

	Council Actual 2016 (\$000)	Council Budget 2016 (\$000)	Council Actual 2015 (\$000)	Group Actual 2016 (\$000)	Group Actual 2015 (\$000)
<b>Balance at 1 July</b>	696,108	698,051	697,370	763,762	760,573
Total comprehensive revenue and expense for the year	638	(2,038)	(1,262)	3,703	3,189
<b>Balance at 30 June</b>	<b>696,746</b>	<b>696,013</b>	<b>696,108</b>	<b>767,465</b>	<b>763,762</b>
<b>Attributable to:</b>					
Invercargill City Council	696,746	696,013	696,108	764,614	760,911
Minority interest	-	-	-	2,851	2,851
<b>Balance at 30 June</b>	<b>696,746</b>	<b>696,013</b>	<b>696,108</b>	<b>767,465</b>	<b>763,762</b>
<b>Components of net assets</b>					
Retained earnings	398,739	408,869	398,212	443,731	438,323
Restricted and non-restricted reserves	26,518	15,016	26,193	27,065	26,740
Hedging reserve	(1,122)	(143)	(568)	(4,493)	(2,178)
Carbon credit revaluation reserve	340	-	-	340	-
Asset revaluation reserve	272,271	272,271	272,271	300,822	300,877
	<b>696,746</b>	<b>696,013</b>	<b>696,108</b>	<b>767,465</b>	<b>763,762</b>

# Summary Statements continued

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended June 30, 2016

	Council Actual 2016 (\$000)	Council Budget 2016 (\$000)	Council Actual 2015 (\$000)	Group Actual 2016 (\$000)	Group Actual 2015 (\$000)
Total Revenue	82,209	81,715	77,521	108,380	105,892
Less:					
Operating expenditure on activities	81,392	82,397	76,303	103,137	101,544
Results from operating activities	817	(682)	1,218	5,243	4,348
Less:					
Net finance costs	1,210	1,966	1,360	4,076	4,158
Operating surplus (deficit) before tax	(393)	(2,648)	(142)	1,167	190
Plus:					
Other gains/(losses)	1,245	610	(695)	3,604	2,206
Share of associates' and joint ventures' surplus (deficit)	-	-	-	3,681	2,842
Surplus (deficit) before tax	852	(2,038)	(837)	8,452	5,238
Less:					
Income tax expense	-	-	-	2,774	3,125
<b>Surplus (deficit) after tax</b>	<b>852</b>	<b>(2,038)</b>	<b>(837)</b>	<b>5,678</b>	<b>2,113</b>
<b>Attributable to:</b>					
Invercargill City Council	852	(2,038)	(837)	5,657	2,092
Minority interest	-	-	-	21	21
	<b>852</b>	<b>(2,038)</b>	<b>(837)</b>	<b>5,678</b>	<b>2,113</b>
<b>Other comprehensive revenue and expense</b>					
Property, plant and equipment revaluation gains/(losses)	-	-	-	-	2,886
Carbon credit revaluation gains/(losses)	340	-	-	340	-
Cash flow hedges	(554)	-	(425)	(2,315)	(1,810)
Total other comprehensive revenue and expense	(214)	-	(425)	(1,975)	1,076
<b>Total comprehensive revenue and expense</b>	<b>638</b>	<b>(2,038)</b>	<b>(1,262)</b>	<b>3,703</b>	<b>3,189</b>
<b>Total comprehensive revenue and expense attributable to:</b>					
Equity holders of the Council	638	(2,038)	(1,262)	3,682	3,168
Minority interest	-	-	-	21	21
	<b>638</b>	<b>(2,038)</b>	<b>(1,262)</b>	<b>3,703</b>	<b>3,189</b>

## SUMMARY CASH FLOW STATEMENT

For the year ended June 30, 2016

	Council Actual 2016 (\$000)	Council Budget 2016 (\$000)	Council Actual 2015 (\$000)	Group Actual 2016 (\$000)	Group Actual 2015 (\$000)
Net cash flows from operating activities	20,370	19,530	20,906	23,911	26,294
Net cash flows from investing activities	(58,707)	(34,437)	(20,660)	(73,144)	(36,999)
Net cash flows from financing activities	42,387	14,857	(855)	46,793	16,913
<b>Net increase (decrease) in cash, cash equivalents and bank overdrafts</b>	4,050	(50)	(609)	(2,440)	6,208
Cash, cash equivalents and bank overdrafts at the beginning of the year	4,469	6,466	5,078	13,818	7,610
<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>	<b>8,519</b>	<b>6,416</b>	<b>4,469</b>	<b>11,378</b>	<b>13,818</b>

# Explanation of Major Variances

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## For the year ended 30 June 2016

### Actual 2016 against Budget 2016

#### *Statement of Financial Position*

1. Current assets are higher than budget because some financial asset investments, including some short term deposits, were reclassified from non-current assets to current assets.
2. Non-current liabilities are higher than budget because of \$14m of internal loans being repaid and becoming external loans, and a \$30m (Holdco) bond being issued.

#### *Statement of Comprehensive Revenue and Expense*

3. Total revenue was higher than budget because of additional roading subsidies received from NZTA, and rental revenue from commercial sites being greater than anticipated.
4. Operating expenditure on activities was lower than budget because the Joint Committee expenses are now consolidated into the Group figures. In the 2015/16 budget the Joint Committees' expenses were included in the Council figures.
5. Net finance costs were lower than budget due to the refinancing of internal debt to external debt. This meant that Council had more externally invested funds, leading to more finance revenue than anticipated.
6. Other gains/(losses) were higher than budget due to the revaluation of Council's forestry assets being higher than anticipated. These valuations were provided by independent valuers. Also, the Council valued its carbon credit intangible assets for the first time in 2016.

### Actual 2016 against Actual 2015

#### *Statement of Comprehensive Revenue and Expenses*

1. Total revenue was higher than 2015 because of additional roading subsidies received from NZTA, an increase in rates revenue and from Council activities such as timber sales, dog registrations and dividends received.
2. Operating expenditure on activities was higher than 2015 because of increases in employee expenses, and in the maintenance areas of Council.

# Notes to the Financial Statements

## For the year ended 30 June 2016

The full financial statements are contained in the Annual Report, which can be viewed on the Council website at [www.icc.govt.nz](http://www.icc.govt.nz). Annual Report hard copies are available from the Civic Administration office at 101 Esk Street, Invercargill.

### **Basis of preparation**

The Council is a public benefit entity for financial reporting purposes. The financial statements have been prepared in accordance with Tier 1 PBE accounting standards and comply with Public Benefit Entity standards and other applicable Financial Reporting Standards, as appropriate for public benefit entities. The Annual Report 2015/16 includes a Statement of Compliance to this effect.

The summary financial statements are in compliance with PBE FRS 43 - Summary Financial Statements.

Audit New Zealand has audited Council's full Annual Report and Summary and has issued an unmodified report on both.

The disclosures included in the summary financial statements have been extracted from the full financial information in the Annual Report 2015/16 which was adopted by the Council on 26 October 2016.

The summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements.

The summary financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars.

The Council has adopted new Tier 1 PBE Accounting Standards for the period ended 30 June, 2016. There have been no significant changes to accounting policies as a result of applying the new accounting standards in the current year. Council has changed its accounting policy relating to the recognition of carbon credit intangible assets. Council has changed from recognising these assets at cost less accumulated amortisation and accumulated impairment losses to recognising these assets at fair value. Council has opted not to adjust prior periods on the basis of materiality. For further details, refer to the full set of Financial Statements.

### **Events after balance date**

Invercargill City Charitable Trust (ICCT), a subsidiary of ICC, entered into an agreement to purchase Rugby Park Stadium from the Southland Outdoor Stadium Trust (SOST) for \$400,000. As at 30 June, 2016 ownership had not passed to ICCT and the funds remained with SOST's solicitor's trust account. Ownership officially passed to ICCT on 8 July, 2016.

Invercargill City Holdings Limited's total borrowing facility of \$90m (2015: \$80m) was replaced with a new facility of \$30m for 2 years and \$60m for 3 years on 5 September 2016. Debt may be raised by a committed cash advance facility or by the issuance of promissory notes upon the multi-option note facility for a term of 90 days before being re-tendered.

# Audit Opinion

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

## Independent Auditor's Report

### To the readers of Invercargill City Council's summary annual report for the year ended 30 June 2016

The summary annual report was derived from the annual report of the Invercargill City Council (the City Council and Group) for the year ended 30 June 2016. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 3 to 7 and 10 to 23:

- the summary statement of financial position as at 30 June 2016;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in net assets and statement of cash flows for the year ended 30 June 2016;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service provision, and the Local Government (Financial Reporting and Prudence) Regulations 2014 disclosures, referred to as the Summary of Activities and Levels of Performance.

We expressed an unmodified audit opinion on the City Council and Group's full audited statements in our report dated 26 October 2016.

### Opinion

In our opinion:

- the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS-43: Summary Financial Statements.

### Basis of opinion

Our audit was carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand), and in particular with the International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements. These standards require us to carry out procedures to confirm whether the summary annual report contains the information necessary, and at an appropriate level of aggregation, so as not to be misleading.

The summary statements and the full audited statements from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 26 October 2016 on the full audited statements.

The summary statements do not contain all the disclosures required for full audited statements under generally accepted accounting practice in New Zealand. Reading the summary statements, therefore, is not a substitute for reading the full audited statements in the annual report of the City Council and Group.

### **Responsibilities of the Council and the Auditor**

The Council is responsible for preparing the summary annual report so that it represents, fairly and consistently, the information regarding the major matters dealt with in the annual report. This includes preparing summary statements, in accordance with PBE FRS-43: Summary Financial Statements. The Council is also responsible for the publication of the summary annual report, whether in printed or electronic form.

We are responsible for expressing an opinion on whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report and whether the summary statements comply with PBE FRS 43: Summary Financial Statements.

Other than in our capacity as auditor we have no relationship with, or interest in, the City Council and Group.



Ian Lothian,  
Audit New Zealand  
On behalf of the Auditor-General  
Dunedin, New Zealand  
8 November 2016







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