



Pre-Election Report

Vote.
2016.
LOCAL ELECTIONS

2016


Invercargill
CITY COUNCIL



Pre-Election Report 2016

Chief Executives Comment

As Chief Executive, in accordance with the Local Government Act, I have prepared a Pre-Election Report. The Chief Executive is a non-political position and the report has been prepared on a politically neutral basis. The Pre-Election Report provides voters and candidates with information about the key issues facing the Invercargill City Council. Its purpose is to provide information and promote public discussion about the issues facing the City Council in the lead up to the 2016 elections. In doing so, the Pre-Election Report should contribute to a better informed election debate.

This Pre-Election Report brings together information contained within Council's 2015-25 Long-Term Plan (LTP), Annual Plans and Annual Reports, as well as nine months of actual results and three months of forecasts. The prospective financial data and commentary on major projects has been drawn from the LTP and underlying Asset Management Plans. In doing so, the report reflects the policy and service delivery decisions of the current Council at that time. Although the Local Government Act does not require any information relating to the current year (2015/16), I have included the financial content for the 2015/16 year to assist in the presentation of trends in financial performance and avoid the potential for confusion caused by omitting one year.

Much of the information contained in this report has already been audited by Council's external auditors (Audit NZ) as both the LTP and all Annual Reports are subjected to the audit process. The financial information that has not already been audited is derived from the Annual Plan for the 2015/16 year or has been estimated by Council's Financial Services Team.

Audited actual financial results to compare to these forecasts will be available in Council's 2015/16 Annual Report, which will be adopted prior to 1 November 2016.



You can find more information about Invercargill City Council through our website www.icc.govt.nz.

Remember the key dates for the 2016 local body elections are:

15 July - 12 August at 12noon
Candidate nominations are open.

17 August
Public Notice of candidate's names.

16 - 21 September
Voting documents delivered.

8 October at 12pm
Election Day - voting closes midday.

13 - 19 October
Declaration of results.

Richard King
CHIEF EXECUTIVE OFFICER

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Basis of Preparation



Timing and preparation of the 2016 Pre-Election Report is a mandatory requirement and its purpose is to provide information about the issues facing Invercargill City Council.

The aim is to promote informed public discussion prior to the upcoming local body election. The Pre-Election Report focuses on the financial performance over the past three years and over the next three years, based on current plans. Council's current financial position is included and the key spending issues over the coming years are highlighted.

The Pre-Election Report provides the following:

- historic information for the 2013/14 and 2014/15 years, sourced from the published 2014/15 Annual Report.
- forecast information for the 2015/16 year ended 30 June 2016. The final information for the 2015/16 financial year was not available at time of publishing due to the year closing just prior to the release of this document.

The Annual Report for this year is due to be adopted in October 2016. The forecast is based on management's best estimate at the time of preparation for the expected results for the 2015/16 year. These estimates are based on the actual results to March 2016 and expected forecast movements to June 2016.

- planned information for the 2016/17 to 2019/20 years. The 2016/17 year is sourced from the published 2016/17 Annual Plan and 2017/18 to 2019/20 are sourced from the 2015-2025 Long-Term Plan. This financial data and discussion of major projects are drawn from the information in the 2015-2025 Long-Term Plan and they reflect the policy and service delivery decisions of the current Council at the time.

Basis of Preparation continued

Audit of financials

Council's Long Term Plans and Annual Reports are audited by Audit New Zealand. Therefore, while this report is not audited, the information used to prepare it has been, with the following exceptions:

- The 2015/16 financial year closed on June 30, just prior to the release of this document. The Annual Report for that year is due to be adopted in October 2016. While the information contained in this report includes some actual data, the year end and audit processes have not been completed by the time this report was released.
- Figures for the 2016/17 financial year as represented in the recently published Annual Plan have been included. This Annual Plan is based on year two of the 2015-2025 Long-Term Plan which was audited.

Further information

If you would like to read more about Council's planned and past performance, visit our website - www.icc.govt.nz or contact our Call Centre on (03) 211 1777. Documents available are the Long-Term Plan for 2015-2025, the 2016/17 Annual Plan and past Annual Reports.



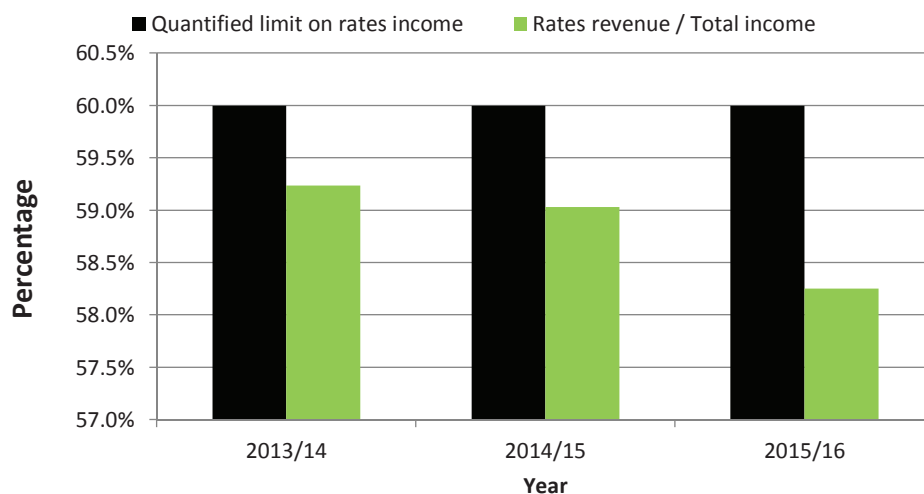
Compliance with the limits of Financial Strategy

The Council's Financial Strategy contained within the Long-Term Plan 2015–2025 sets out benchmark limits to assess whether the Council is prudently managing its revenue, expenses, assets, liabilities and general dealings.

The information below for the 2013/14 and 2014/15 years are based on actuals from the Annual Report 2014/15 and the 2015/16 year is based on predicted year end information.

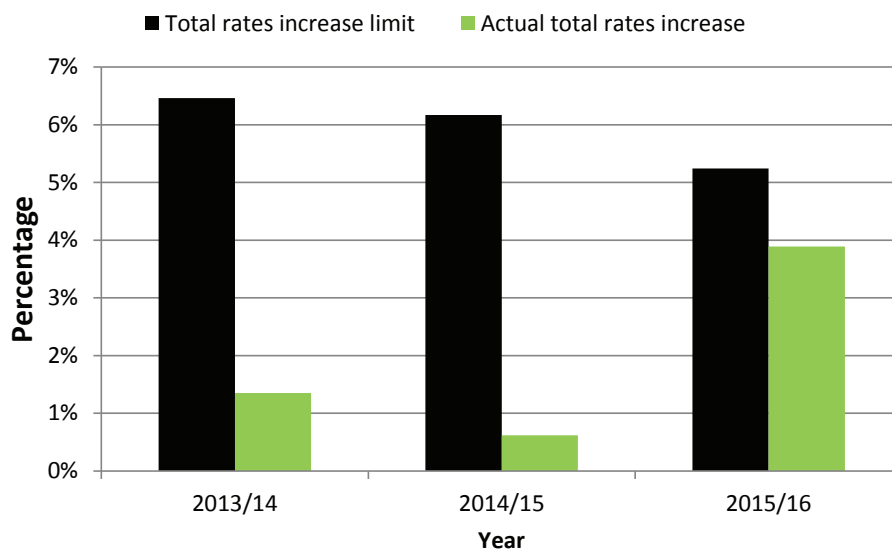
KEY ■ Benchmark Met ■ Benchmark Not Met ■ Benchmark

Rates Affordability (Income) Benchmark



The Rates Affordability (Income) Benchmark was met over all three years.

Rates Affordability (Increase) Benchmark

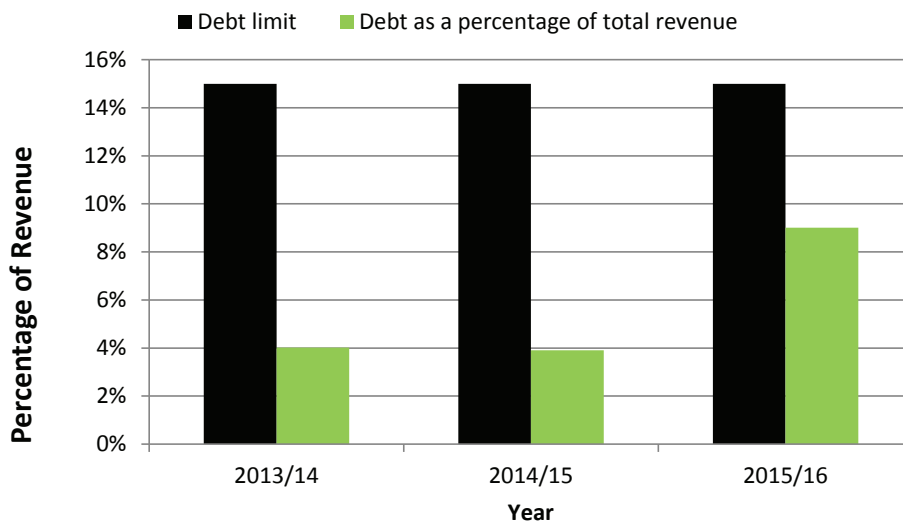


The Rates Affordability (Increase) Benchmark was met over all three years.

Compliance with the limits of Financial Strategy continued

KEY ■ Benchmark Met ■ Benchmark Not Met ■ Benchmark

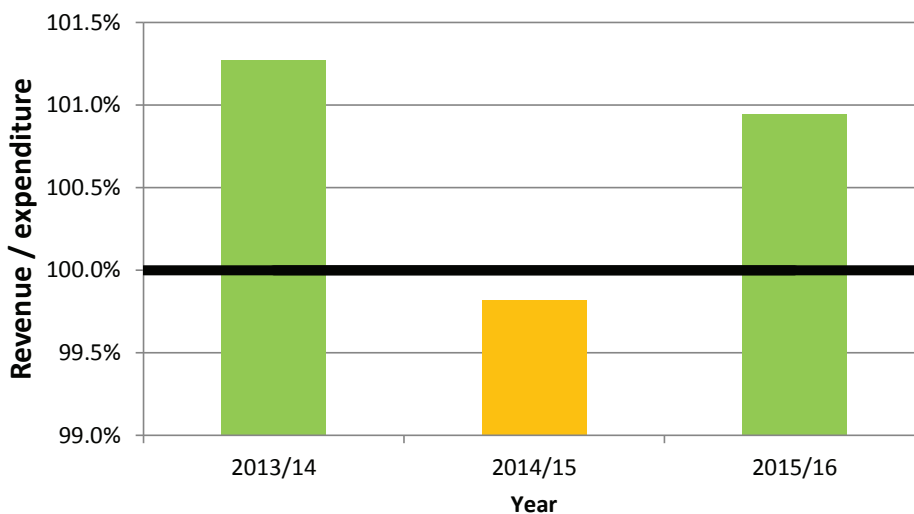
Debt Affordability Benchmark



In 2015/16, the Debt Affordability Benchmark was met, however actuals are higher than previous years due to:

- A) the issue of \$30m debt bonds in the 2015/16 year to fund the investment loan into Invercargill City Holdings Limited;
- B) the issue of \$20m debt bonds in the 2015/16 year to fund the repayment of internally funded loans and some existing bank loan debt.

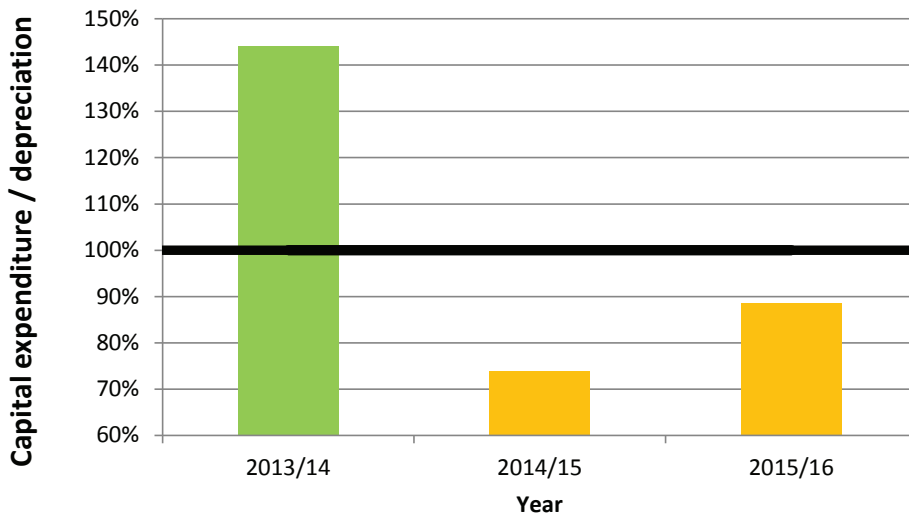
Balanced Budget Benchmark



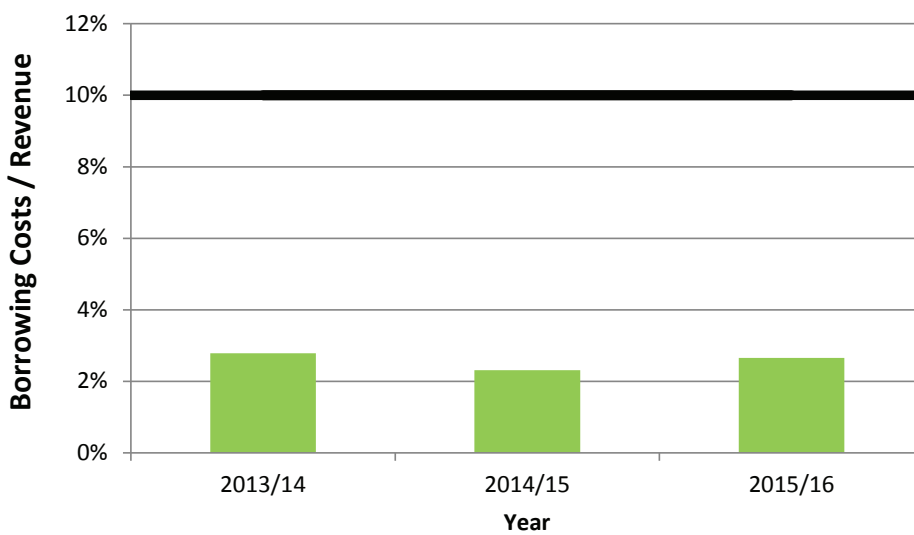
In 2014/15, the Balanced Budget Benchmark was not met due to Council underfunding depreciation for the Roding Activity (in particular footpaths).

In 2014/15 and 2015/16, the Essential Services Benchmark was not met. Over time Council's capital expenditure should equal its depreciation, which means Council is replacing its assets as they deteriorate. Due to the nature of some of the capital expenditure being large and not able to be spread over a number of years, it is hard to assess this benchmark on a year by year basis. In 2014/15 and 2015/16, a number of large capital projects have had to be delayed or deferred to coming years.

Essential Services Benchmark



Debt Servicing Benchmark



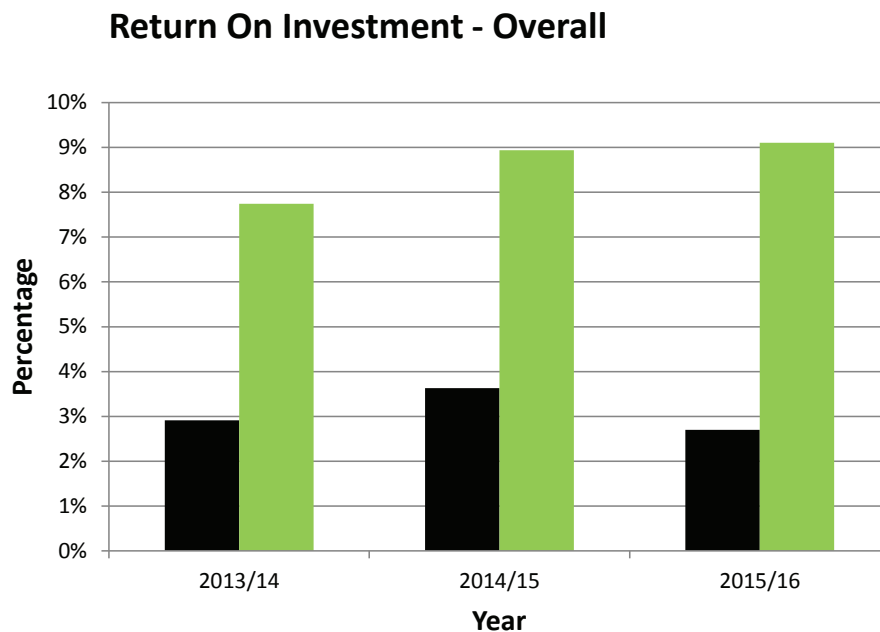
The Debt Servicing Benchmark was met over all three years.

Performance of Financial Investments

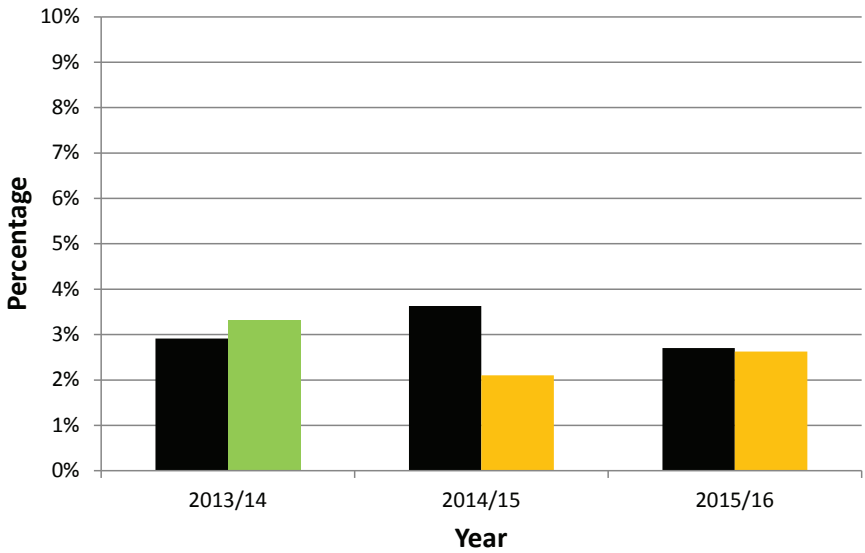
Council holds a number of investments that provides service potential or future economic benefit. Investments include property, ownership in Council related trading entities and financial assets (cash or the contractual right to receive cash including financial investment instruments).

The Council recognises that as a responsible territorial authority, any investments that it does hold should be of a relatively low risk. It further recognises that lower risk generally means lower returns. Council aims to maximise investment income within a prudent level of investment risks. In the Financial Strategy, Council aims for returns on investments equivalent to market rates (90 day bank bill rate).

KEY ■ Target Achieved ■ Target Not Achieved ■ Target (90 day bank bill rate, source: RBNZ.)

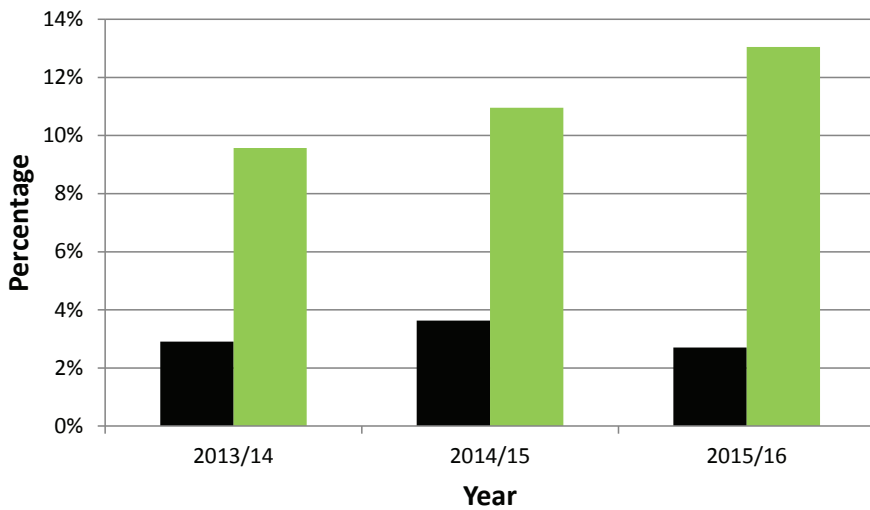


Return On Investment - Investment Property



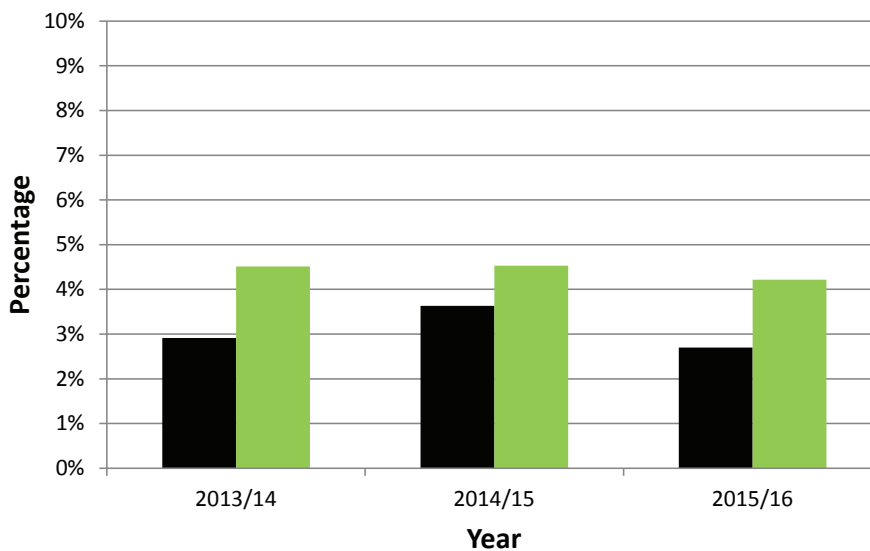
Investment property's rate of return was lower in 2014/15 and 2015/16 due to the purchase of properties and consulting costs relating to the commercial building development in Don Street. Development is due for completion around July 2017 with rental income to start in the 2017/18 year.

Return On Investment - Council Related Trading Entities



Council related trading entities' rate of return has grown with the increased dividend received from Invercargill City Holdings Limited.

Return On Investment - Financial Assets



Council's Financial Assets relate to cash held in Bank term deposits and operating accounts.

Funding Impact Statement

	Actual *	Actual *	Forecast **	Annual Plan ***
	2013/14	2014/15	2015/16	2016/17
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
SOURCES OF OPERATIONAL FUNDING				
General rates, uniform annual general charge, rates penalties	7,585	5,218	6,989	6,893
Targeted rates	38,196	40,804	40,737	41,888
Subsidies and grants for operating purposes	3,805	4,051	3,248	3,488
Fees and charges	11,988	12,679	13,383	13,290
Interest and dividends from investments	4,551	4,687	5,634	7,390
Local authorities fuel tax, fines, infringement fees, and other receipts	9,582	9,236	7,471	8,280
Total operating funding (A)	75,943	78,279	80,999	75,943
APPLICATIONS OF OPERATIONAL FUNDING				
Payments to staff and suppliers	56,816	56,924	58,111	62,016
Finance costs	2,154	1,800	2,142	3,842
Other operating funding applications	-	-	-	-
Total applications of operating funding (B)	58,970	58,724	60,253	65,858
Surplus (deficit) of operating funding (A - B)	16,737	17,951	17,209	15,371
SOURCES OF CAPITAL FUNDING				
Subsidies and grants for capital expenditure	3,894	3,328	3,960	3,449
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	1 (10,614)	(1,193)	42,286	8,220
Gross proceeds from sale of assets	-	299	399	139
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding (C)	(6,720)	2,434	46,645	11,808
APPLICATION OF CAPITAL FUNDING				
Capital expenditure				
• to meet additional demand	347	359	1,117	8,425
• to improve the level of service	1,179	2,742	5,510	1,217
• to replace existing assets	15,022	16,280	15,531	18,110
Increase (decrease) in reserves	3,469	1,004	(2,567)	(1,559)
Increase (decrease) of investments	2 (10,000)	-	44,263	986
Total applications of capital funding (D)	10,017	20,385	63,854	27,179
Surplus (deficit) of capital funding (C - D)	(16,737)	(17,951)	(17,209)	(15,371)
FUNDING BALANCE ((A - B) + (C - D))	-	-	-	-
Depreciation expense (not included in the above FIS)	19,447	21,301	21,752	23,897

Long-Term Plan 2015 - 2025 ****

2017/18	2018/19	2019/20
(\$'000)	(\$'000)	(\$'000)
6,781	7,148	7,117
44,574	46,916	48,940
3,500	3,474	3,639
15,907	16,409	16,947
5,220	5,480	5,706
8,833	9,054	9,517
78,279	80,999	84,815
66,777	64,111	65,903
3,411	3,848	3,815
-	-	-
70,188	67,959	69,718
14,627	20,522	22,148
3,414	3,561	3,601
-	-	-
3,076	(2,638)	2,688
146	170	200
-	-	-
-	-	-
6,636	1,093	6,489
42	118	122
1,457	2,716	3,932
18,421	18,323	24,265
370	498	360
973	(40)	(42)
21,263	21,615	28,637
(14,627)	(20,522)	(22,148)
-	-	-
22,864	24,510	26,400

Notes:

* - 2013/14 and 2014/15 Funding Impact Statement data is from Council's audited Annual Report 2014/15.

** - 2015/16 Funding Impact Statement data has been prepared off forecasted year end numbers.

** - 2015/16 Funding Impact Statement data has been prepared before year end adjustments/procedures.

*** - 2016/17 Funding Impact Statement data is from Council's 2016/17 Annual Plan.

**** - 2017/18, 2018/19 and 2019/20 Funding Impact Statement data is from the Long-Term Plan 2015-2025 and has not been updated.

1 - Increase (decrease) in debt - The 2015/16 forecast includes:

A) the issue of \$30m debt bonds in the 2015/16 year to fund the investment loan into Invercargill City Holdings Limited;
 B) the issue of \$20m debt bonds in the 2015/16 year to fund the repayment of internally funded loans (\$14.3m) and some existing bank loan debt (\$5.7m).
 The Long-Term Plan in 2017/18, 2018/19 and 2019/20 does not reflect future impacts from these transactions.

2 - Increase (decrease) in investments - The 2015/16 forecast includes:

A) the \$30m investment loan into Invercargill City Holdings Limited funded from the \$30m debt bonds issued in the 2015/16 year;
 B) the repayment of \$14.3m internally funded loans, paid from the \$20m debt bond issued in the 2015/16 year.
 The Long-Term Plan in 2017/18, 2018/19 and 2019/20 does not reflect future impacts from these transactions.

Statement of Financial Position

	Actual *	Actual *	Forecast **	Annual Plan***
	2013/14 (\$,000)	2014/15 (\$,000)	2015/16 (\$,000)	2016/17 (\$,000)
ASSETS				
Cash and cash equivalents	5,078	4,469	4,227	4,368
Trade and other receivables	9,890	11,488	11,688	11,488
Inventories	667	669	691	669
Other financial assets - current	-	-	-	-
Current assets	15,635	16,626	16,606	16,525
Property, plant and equipment assets	651,872	647,751	646,684	715,473
Intangible assets	307	339	339	339
Forestry assets	2,005	2,351	2,481	2,481
Investment property	25,539	25,999	27,069	35,089
Other financial assets - Investments in CCO's	36,069	36,069	36,069	36,069
Other financial assets - Other	1	8,668	10,809	51,479
Non-current assets	724,460	723,318	773,120	840,930
TOTAL ASSETS	740,095	739,944	789,726	857,455
LIABILITIES				
Trade and other payables	8,892	10,289	10,239	10,291
Provisions - Current portion	112	112	112	84
Employee benefit liabilities - Current portion	1,949	2,296	2,346	2,296
Borrowings - Current portion	-	-	-	3,649
Derivative Financial Instruments - Current portion	7	6	6	6
Current liabilities	10,960	12,703	12,703	16,326
Employee benefit liabilities - Non-current portion	812	809	809	809
Borrowings - Non-current portion	2	29,716	28,861	99,023
Provisions - Non-current portion	863	816	796	743
Derivative Financial Instruments - Non-current	374	647	647	647
Non-current liabilities	31,765	31,133	73,399	101,222
TOTAL LIABILITIES	42,725	43,836	86,102	117,548
EQUITY				
Retained earnings	401,939	398,212	400,323	397,502
Restricted reserves	23,303	26,193	31,598	20,484
Hedging reserve	(143)	(568)	(568)	(568)
Asset revaluation reserves	272,271	272,271	272,271	322,489
TOTAL EQUITY	697,370	696,108	703,624	739,907
TOTAL LIABILITIES AND EQUITY	740,095	739,944	789,726	857,455

Long-Term Plan 2015 - 2025 ****

2017/18 (\$,000)	2018/19 (\$,000)	2019/20 (\$,000)
6,280	6,194	6,106
10,515	10,789	11,085
704	722	742
-	-	-
17,499	17,705	17,933
719,998	716,476	792,801
307	307	307
2,135	2,135	2,135
29,603	30,353	31,161
36,069	36,069	36,069
4,129	4,587	4,905
792,241	789,927	867,378
809,740	807,632	885,311
9,896	10,111	10,345
86	89	91
2,131	2,186	2,246
3,796	3,719	3,744
7	7	7
15,916	16,112	16,433
853	875	899
52,881	50,320	52,983
704	615	524
374	374	374
54,812	52,184	54,780
70,728	68,296	71,213
400,898	400,724	400,520
15,768	16,266	16,626
(143)	(143)	(143)
322,489	322,489	397,095
739,012	739,336	814,098
809,740	807,632	885,311

Notes:

* - 2013/14 and 2014/15 Statement of Financial Position data is from Council's audited Annual Report 2014/15.

** - 2015/16 Statement of Financial Position data has been prepared off forecasted year end numbers.

** - 2015/16 Statement of Financial Position data has been prepared before year end adjustments/procedures.

*** - 2016/17 Statement of Financial Position data is from Council's 2016/17 Annual Plan.

**** - 2017/18, 2018/19 and 2019/20 Statement of Financial Position data is from the Long Term Plan 2015-2025 and has not been updated.

1 - Other financial assets - Other in 2015/16 Forecast and 2016/17 Annual Plan are higher than anticipated in the Long-Term Plan due to:
A) the \$30m investment loan into Invercargill City Holdings Limited funded from the \$30m debt bonds issued in the 2015/16 year;
B) the repayment of \$14.3m internally funded loans, paid from the \$20m debt bond issued in the 2015/16 year.
The Long-Term Plan in 2017/18, 2018/19 and 2019/20 does not reflect future impacts from these transactions.

2 - Borrowings - Non-current portion in 2015/16 Forecast and 2016/17 Annual Plan are higher than anticipated in the Long-Term Plan due to:
A) the issue of \$30m debt bonds in the 2015/16 year to fund the investment loan into Invercargill City Holdings Limited;
B) the issue of \$20m debt bonds in the 2015/16 year to fund the repayment of internally funded loans (\$14.3m) and repay some existing bank loan debt (\$5.7m).
The Long-Term Plan in 2017/18, 2018/19 and 2019/20 does not reflect future impacts from these transactions.

Major Projects Planned

The majority of rates revenue is used to deliver infrastructure facilities and services. A continued focus is placed on looking after the community's core assets. Some of the major capital projects planned over the next three years following the 2016 election year are as follows:

		Capital Expenditure (\$000)		
		2017/18	2018/19	2019/20
Roading	Road surface renewals and rehabilitation	3,475	3,937	4,440
	Footpath renewals and rehabilitation	1,308	1,379	1,434
	Kerb and channel and culvert replacement	670	558	629
	Street lighting	769	1,385	1,421
Water Supply	Asbestos cement watermain pipe replacement	3,065	3,432	3,768
Sewerage	Sewerage pipe asset renewal/upgrade	1,334	1,440	1,554
	Sewerage treatment plant renewal/upgrade	492	237	396
Stormwater	Stormwater pipe asset renewal/upgrade	1,875	2,113	2,345
Property	Civic Theatre Complex			1,763
	Administration Complex		806	
	Aquatic Centre		414	1,171
Other	CBD Redevelopment	1,224		2,797
Grants	Museum Redevelopment	4,000		

Road Surface Renewals and Rehabilitation

Continuous work is undertaken to resurface or renew roads to maintain the current roading standard levels. NZTA is decreasing its subsidy to the Council from 60% in 2015/16 to 51% by 2023/24. Council has planned to increase rates funding to meet the shortfall.

Footpath Renewals and Rehabilitation

Continuous work is undertaken to resurface or renew footpaths to provide safe, comfortable and efficient networks for pedestrians, including those with disabilities, and cyclists. These networks are built and maintained to standards for smoothness, width and protection from traffic.

Kerb and Channel and Culvert Replacement

Continuous renewal work is undertaken to extend the lives of the structures, ensuring suitable drainage is maintained as well as public safety, and minimising repair costs.

Street Lighting

This includes part of the 11 year street lighting renewal programme, developed with the aim of having all of Invercargill's street lighting asset fully compliant with the Australia / New Zealand Standard 1158 by June 2021, as well as the start of the LED lamp upgrading programme.

Asbestos Cement Watermain Pipe Replacement

Asbestos cement pipes form approximately 50% of the water pipe network and were installed from the late 1950s to the late 1980s with an expected life span of 65 years. In 2014 there were 28 failures of asbestos cement pipes. Samples of pipe were taken to assess their condition and life expectancy. The results indicate that there is approximately \$22 million worth of pipe network that may be near or close to failure. Council has planned to bring forward replacement of the asbestos cement pipes and increase the amount replaced each year. It is anticipated that by 2024 the pipes that have reached the end of their life will have been replaced.

Sewerage Pipe Asset Renewal/Upgrade

The Council is increasing expenditure to enable the replacement of sewer pipes and assets at the end of their life. The renewed sewer pipes will also reduce infiltration of stormwater. The sewerage pipe network in the Invercargill city area is ageing, with the oldest parts of the network now over 100 years of age, which is the assumed economic life of the pipe. A significant proportion of the network is due for replacement within the next 30 years.

Sewerage Treatment Plant Renewal/Upgrade

Continuous maintenance work on the Clifton and Bluff Treatment plants to extend the life, maintain or enhance current levels of service and minimise future repair costs.

Stormwater Pipe Asset Renewal/Upgrade

The Council is increasing expenditure to enable the replacement of the stormwater pipes at the end of their life. A significant proportion of the network is due for replacement within the next 30 years with some already over 100 years old, which is the assumed economic life of the pipes. The renewed stormwater pipes will meet new standards and maintain a high quality of stormwater discharge to comply with our resource consent conditions from Environment Southland.

Civic Theatre Complex

Stage house, front of house and auditorium refurbishment planned for 2019/20.

Administration Complex

Various building refurbishment and maintenance including walls, ceilings and sanitary plumbing.

Aquatic Centre

Various building refurbishment and maintenance including hydro slide, boiler, heater, Ozone Treatment, and a 15 yearly exterior repaint.

Major Projects Planned continued

CBD Redevelopment

Council has determined to undertake the City Centre Revitalisation project in stages. As Council prepares to undertake each stage of the City Centre Revitalisation project we will be seeking public input. This will occur prior to each stage being signed off.

Museum Redevelopment

Council has plans to provide a grant to the Southland Museum and Art Gallery Trust Board to carry out the redevelopment of the Museum. This is subject to the Board presenting their finalised location, design and cost plans to Council.





Invercargill
CITY COUNCIL



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