

**EXPLANATION OF MAJOR VARIANCES BETWEEN
2017/18 LONG-TERM PLAN AND 2017/18 ANNUAL PLAN**

STATEMENT OF FINANCIAL POSITION

- 1 Cash and cash equivalents are higher than anticipated in the Long-term plan due to 2015/16 actual closing balance being different to the balance assumption used in the Long-term plan.
- 2 Trade and other receivables are higher than anticipated in the Long-term plan due to 2015/16 actual closing balance being different to the balance assumption used in the Long-term plan.
- 3 Other financial assets - current are higher than anticipated in the Long-term plan due to some reserve funds being placed into short term investments.
- 4 Property, plant and equipment assets are lower than anticipated in the Long-term plan due to the deferral of a number of capital projects.
- 5 Investment property is higher than anticipated in the Long-term plan due to the larger Don Street investment property development plans compared to early initial details used in the Long-term plan.
- 6 Other financial assets - Other are higher than anticipated in the Long-term plan due to the investment advance of \$30m in the 2015/16 year to Invercargill City Holdings Limited for capital investment.
- 7 Borrowings 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 and repay some existing bank loan debt.

EXPLANATION OF MAJOR VARIANCES BETWEEN 2017/18 LONG-TERM PLAN AND 2017/18 ANNUAL PLAN

STATEMENT OF COMPREHENSIVE REVENUE & EXPENSE

- 1** Other revenue is lower than anticipated in the Long-term plan due to A) lower refuse fees received prompted by the reduction of solid waste volumes collected from commercial users; B) lower building service fees received caused by less than expected levels of work related to post Christchurch earthquakes building services; C) lower rental income received following the delay in the commencement of construction of the Don Street investment property development; D) Removal of gym membership fees received following the decision made in May 2016 to cancel the Splash Palace Dry Gym project; E) lower milk solids payments reflecting the current market expectations. This has partly been offset by an increase in the dividend received from Invercargill City Holdings Limited.
- 2** Finance revenue is higher than anticipated in the Long-term plan due to A) increased interest income earned from having additional reserve funds held from the repayment of internally funded loans in 2015/16; B) additional income earned from the \$30m advance loan issued to Invercargill City Holdings Limited in 2015/16.
- 3** Employee benefit expenses are higher than anticipated in the Long-term plan in order to progress Council's key priorities and meet new health and safety requirements. Additional resources have been allocated to Parks, Splash Palace, Regulatory Services and the City Centre project.
- 4** Other expenses are lower than anticipated in the Long-term plan due to the delay of \$4m grant required by the Southland Museum and Art Gallery Trust Board for a museum redevelopment. This has been partly offset by A) additional contractors and maintenance required to complete current planned projects; B) increase grant amount requested by Southland Museum & Art Gallery Trust Board (for the Southland Regional Heritage rate) to go towards cataloguing and preserving the museum's extensive collection.
- 5** Finance expenses are higher than anticipated in the Long-term plan due to increased interest expenses from 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 repay some existing bank loan debt.

EXPLANATION OF MAJOR VARIANCES BETWEEN 2017/18 LONG-TERM PLAN AND 2017/18 ANNUAL PLAN

FUNDING IMPACT STATEMENT

- 1 Fees and charges are lower than anticipated in the Long-term plan due to A) lower refuse fees received prompted by the reduction of solid waste volumes collected from commercial users; B) lower building service fees received caused by less than expected levels of work related to post Christchurch earthquakes building services; C) lower rental income received following the delay in the commencement of construction of the Don Street investment property development (scope of this development has changed after initial investigation); D) Removal of gym membership fees received following the decision made in May 2016 to cancel the Splash Palace Dry Gym / Changing Rooms project.
- 2 Interest and dividends from investments are higher than anticipated in the Long-term plan due to A) increased interest income earned from having additional reserve funds held from the repayment of internally funded loans in 2015/16; B) additional income earned from the \$30m advance loan issued to Invercargill City Holdings Limited in 2015/16; C) increase dividend received from Invercargill City Holdings Limited.
- 3 Payments to staff and suppliers are lower than anticipated in the Long-term plan due to the delay of \$4m grant required by the Southland Museum and Art Gallery Trust Board for a museum redevelopment. This has been partly offset by A) additional contractors and maintenance required to complete current planned projects; B) increase grant amounts requested by Southland Museum & Art Gallery Trust Board (for the Southland Regional Heritage rate); C) reintroduction of the Central Business District Co-ordinator in 2016/17.
- 4 Finance costs are higher than anticipated in the Long-term plan due to increased interest expenses from 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 repay some existing bank loan debt.
- 5 Increase (decrease) in debt is lower than anticipated in the Long-term plan due to the delay of \$4m funds required by the Southland Museum and Art Gallery Trust Board for a museum redevelopment. These are partly offset by the completion of some previously deferred capital projects.
- 6 Capital expenditure is higher than anticipated in the Long-term plan due to A) improvements to the Stead Street stop-bank and Civic Administration Building which were not included in the Long-term plan. These are partly offset by the deferral of a number of other capital projects.
- 7 Increase/(decrease) in reserves is lower than anticipated in the Long-term plan due to lower forecast fund contributions to reserves and higher withdrawals. This includes funds withdrawn from reserve for the improvements to the Stead Street stop-bank, investment property demolition work and to undertake feasibility studies on Invercargill development projects.