

# 2016-2017 annual report

## Summary



## Mayor's Comment

*He karere na te koromātua*

The Local Government elections results of 2016 were surprising with one third of our most

experienced sitting Councillors being replaced. Generally speaking the public have reacted positively to the changes. The other surprise is that the attempts at amalgamation have failed in Hawkes Bay, Wellington and Nelson when put to the vote and our future will now be decided by the new Government elected in September 2017. Considering the large number of changes made regarding the Minister of Local Government over the last decade, it is likely more changes are in the pipeline. Possibly the greatest challenge the City Council could face may be the multitude of changes taking place at an executive level. Greg Mulvey of the ILT, Richard King of the ICC, Mark O'Conner of South Port, John Prendergast of CTOS have all resigned within a relatively short time frame. In last years Annual Report I wrote about my concerns over unfair electricity

transmission costs and the Christmas lights from China. We seemed to be taking a hammering over both these issues. This year we could be facing far more positive responses to Council initiatives. The branding of Invercargill's CBD has been a spectacular success. The Stags trip to Japan along with their new CD is proving incredibly popular. The electricity authority is heroically refusing to buckle under pressure from the political powerhouse of Auckland. They are insisting that reform is needed. Finally Council will be celebrating with style our new water purification plant at Branxholme. We still need to find an alternative source of water but magnetic aerial surveys should help us achieve this objective. All things considered we can feel proud of our achievements.

*Mayor Tim Shadbolt*

# Chief Executive's Comment

*He karere na te tumu whararae*



**Council's Vision:**

Creating an exciting, innovative, safe, caring and friendly City offering lifestyles based on a healthy environment and diverse growing economy.

I am pleased to present the Invercargill City Council's 2016/17 Annual Report. This will be my final comment as Chief Executive of Invercargill City Council, and it is only fitting I go out the way I arrived at the building - balancing the books - from the ICC Treasury Department to the role of Chief Executive it has been an interesting journey across many financial years and journal entries.

This Annual Report is one that the Council, Staff and Community alike can be proud of. We are focusing our attention on areas that have been driven by demand, renewing our infrastructure network and investing in our Central Business District.

In late 2016 the Southland Regional Development Strategy launched their Action Plan on how we can grow our City to entice more residents and visitors to experience everything we have to offer, we are working hard to achieve a number of areas of this. An important part of this is reinvigorating our Central Business District. Council believes that our CBD is something we can be proud of and have invested in building a business hub right in the heart. This is expected to be fully tenanted soon and will bring in rental income for our Council in the upcoming years, as well as retaining existing businesses in an area we anticipate to grow.

To add to this we have been achieving great success with numerous Council-run events within the CBD such as a Halloween event for children trick or treating around the stores, Christmas events where families were encouraged to create gingerbread houses and hosting a Matariki Festival that lit up the City.

Further, our Council has developed a new brand specifically for our City branding. 'Dream Big' tells the story of our quiet achievers, how we celebrate our successes and remind ourselves that we live in a City where anything is possible. This brand inspires not only our CBD but the entire City, reminding us that we live in a City where we can dream big and have it all. This has been successful in its launch and I look forward to seeing how it is developed and progresses in the future.

I would like to take this opportunity to thank both the Councillors former and existing, as well as Staff that I have had the pleasure of working with over the past 31 years. I could not have asked for a better group of people to share my working weeks with and feel honoured to have worked alongside you all. Together we have achieved many great things for Invercargill.

Over my time at Council, I have witnessed a number of big changes to this City, and it continually transitions into a better and greater place to live and work. I look forward to seeing what the Council can achieve in the upcoming years; I for one know that this City offers a fabulous lifestyle and that we are incredibly lucky to live in the best part of the world.

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 2016/17. This Summary Annual Report is authorised for release by the undersigned on 21 November 2017.

Tim Shadbolt, Mayor

Richard King,  
Chief Executive Officer

Dean Johnston  
Director of Finance  
and Corporate Services

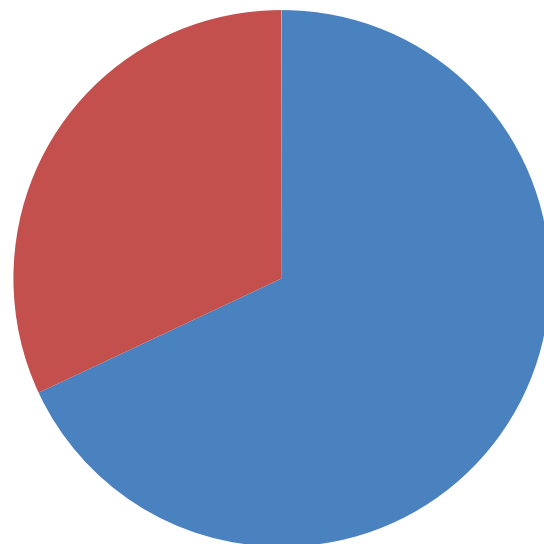
# Summary of Service

## SUMMARY OF ACTIVITIES AND LEVELS OF PERFORMANCE

The 2016/17 Annual Plan identified 100 levels of service against which its performance would be measured for its activities. 29 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 66 out of 100 measures.

In the graph (right), "Achieved" means that the 2016/17 performance measure was met or exceeded. "Not Achieved" means the 2016/17 performance measure was not undertaken or not provided to the target level.



- Achieved
- Not Achieved

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	2016/17 Target	2016/17 Actual
Healthy lifestyle in a healthy environment.	Civil Defence - Percentage of surveyed households prepared for an emergency including self-sufficiency for three days.	60% by 2021	Achieved Residents - 57% Farmers - 52% (2015/16: Achieved)
	Libraries and Archives - Membership as a percentage of the total population.	65% - 75%	Achieved - 71.83% (2015/16: Achieved)
	Passenger Transport - Homes in the Invercargill urban area are within 400 metres of a serviced bus route.	90%	Achieved - routes are unchanged from previous years - 90% (2015/16: Achieved)
	Pools - Number of visits to Splash Palace per head of Invercargill population.	At least 6	Achieved - 7.8 visits based on population of 51,696 (2015/16: Achieved 7.6)
	Public Toilets - Automated toilets are available 24 hours a day.	95%	Achieved - 95% (2015/16: 99%)
	Water Supply - Ministry of Health Grade.	Invercargill - Aa Bluff - Aa	Not Achieved - Invercargill is Aa, Bluff is Ab. (2015/16: Not Achieved)

Community Outcome	Activity and Performance Measure	2016/17 Target	2016/17 Actual
A diverse and growing economy.	Compliance - Parking patrols of Council managed parking spaces.	Average 100 hours patrolling per week.	Achieved (2015/16: Achieved - average of 108 hours)
	Destinational Marketing - Number of tourism businesses using Venture Southland services.*	>25	Achieved - 133 (78 trade/conference/media, 43 campaign, 12 product development) (2015/16: Achieved - 105)
	Enterprise - Business Mentor Programme.	50 mentor/client matches.	Not Achieved - 36 (2015/16: Not Achieved)
	Investment Property - Rate of return is at least equal to the current market interest rate.	Achieve current market interest rate.	Achieved - 5.93% (2015/16: Achieved - 5.08%)
	Solid Waste Management - Maintain a regional materials discarded rate of 605kg disposed per person.	Maintain.	Not Achieved - 678kg (2015/16: Not Achieved - 653kg)
	Pools - Percentage of Swim School customers who rater their experience as good or very good when surveyed.	80%	Achieved - 92% (2015/16: Achieved - 85%)

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

Community Outcome	Activity and Performance Measure	2016/17 Target	2016/17 Actual
A city that is a great place to live and visit.	Building Control - Accreditation as a Building Consent Authority is retained.	100%	Not Achieved - 99.2% (2015/16: Not Achieved - 99.06%)
	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% (2015/16: Not Achieved - 34%)
	Destinational Marketing - Number of media and famil* opportunities facilitated.	8 per year	Achieved - 30 (19 media, 11 trade) (2015/16: Achieved - 40)
	Housing - Rental does not exceed 30% of the gross superannuation benefit	<30%	Achieved - all rents are below 30% (2015/16: Achieved - all rents are below 30%)
	Parks and Reserves - Percentage of urban residents within 500 metres of a park or reserve.	100%	Achieved. (2015/16: Not Achieved - 96%)
	Passenger Transport - All members of the community have the opportunity to use the public transport.	Total Mobility Scheme is administered.	Achieved - Total Mobility administered and delivered to the community. (2015/16: 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	2016/17 Target	2016/17 Actual
Strong, innovative leadership.	Animal Services - An increase in new dog registrations.	5% increase in new dog registrations from the 2015/16 registration period.	Achieved with an increase of 5%  2015/16 period: 8757 2016/17 period: 9194  (New measure)
	Compliance - Reduction in the number of infringements being sent to Courts for collection.  (Number of tickets paid as a percentage total issued.)	75% of all tickets issued are paid without the need to refer to the Courts for collection.	Not Achieved - 67% of tickets issued were paid without being referred to the Courts.  This is an improvement of 3% from 2015/16.  (New Measure)
	Roading - Council's cycling network is fully marked.	Increasing percentage.	Achieved - Additional cycle network completed.  (2015/16: Achieved)
	Sewerage - Service disruptions for individual properties are less than 12 hours.	100%	Not Achieved - 86%  (2015/16: Not Achieved - 87.5%)
	Building Control - Statutory time frames for processing consents are met.	100%	Not Achieved - 99.25%  (2015/16: Not Achieved - 99.06%)
	Stormwater - Complaints of stormwater blockage responded to within one hour.	90%	Not Achieved - 75%  (2015/16: Achieved - 91.76%)

# Uncompleted Projects

Not all projects planned and funded in 2016/17 were completed. Projects valued over \$100,000 which will now be completed or undertaken in 2017/18 are:

Community Services	
▪ Passenger Transport - National Regional Ticketing Project	\$174,000 (funded from Rates)
▪ Passenger Transport - New Bus Shelter improvements	\$265,000 (funded for Rates and NZTA)
Infrastructure and Services	
▪ Drainage - Sewerage - Clifton - Waste Water Treatment Plant	\$1,572,239 (funded from Rates and Special Reserves)
▪ Drainage - Sewerage - Beatrice Street Treatment Pond	\$150,000 (funded from Loans and Rates)
▪ Drainage - Sewerage - Mersey Street raising main	\$950,000 (funded from Rates)
▪ Drainage - Sewerage - Queens Park Pipes	\$130,000 (funded From Rates)
▪ Drainage - Stormwater Renewals - Prestonville pump installation	\$125,236 (funded from Rates)
▪ Parks and Reserves - Operational plant	\$235,663 (funded from Rates)
▪ Parks and Reserves - Surrey park grandstand	\$256,125 (funded from Rates)
▪ Parks and Reserves - Storage Building	\$200,000 (funded from Rates)
▪ Parks and Reserve - Chinese garden	\$600,000 (funded from Special Reserves)
▪ Property - Bluff Service Centre	\$109,000 (funded from Special Reserves)
▪ Property - Scottish Hall	\$280,000 (funded from Loans)
▪ Property - Museum	\$106,000 (funded from Special Reserves)
▪ Property - Library	\$1,369,355 (funded from Loan and Special Reserves)
▪ Property - Administration Building	\$3,526,000 (funded from Loan)
▪ Property - Splash Palace	\$1,400,000 (funded from Loan)
▪ Roading - Surveillance Cameras	\$154,919 (funded from Rates)
▪ Roading - Administration (Bluff boat ramp works)	\$500,000 (funded from Loans)
▪ Roading - Streetlight 11 year programme	\$368,000 (funded from Rates and NZTA )
▪ Roading - Chipseal Maintenance	\$262,962 (funded from Rates and NZTA)
▪ Roading - Traffic Service renewals	\$205,687 (funded from Rates and NZTA)
▪ Water - Branxholme duplicate pipeline	\$280,000 (funded from Rates)
▪ Water - Supply to Awarua Industrial Estate	\$100,000 (funded from Rates)
▪ Water - Branxholme plant upgrade	\$345,000 (funded from Loan)
▪ Water - Emergency water supply	\$202,000 (funded from Loan)
▪ Water - Waikiwi Pump Station pump and equipment	\$240,000 (funded from Loan and Rates)
▪ Water - City Pump station and equipment	\$200,000 (funded from Rates)
▪ Solid Waste - Transfer Station renewals	\$196,643 (funded from Rates)
Finance and Policy	
▪ Investment Property - Don Street Development	\$1,098,344 (funded from Loan)
▪ CBD Redevelopment - Inner City Upgrade capital works	\$5,110,906 (funded from Loan and Special Funds)
▪ Grants - Walkway to Bluff (with Southland Regional Council)	\$200,000 (funded from Rates)



# Financial Overview

Financial Performance Summary	2015/16 \$000	2016/17 \$000
Rates Revenue	47,883	49,003
Other Revenue, Other Gains & Losses and Interest Revenue	36,614	37,927
Operating Expenditure including Interest Expenditure	83,645	86,962
Operating Surplus/(Deficit)	852	(32)
Working Capital (excluding loan facility)	8,551	(14,629)
Total Assets	783,386	938,060
External Debt	71,248	85,986
Fixed Assets (Net Book value)	670,691	812,463

Financial Statistics Summary	2015/16	2016/17
Proportion of rates to Total Operating Revenue	56.67%	56.37%
Average rate revenue per rateable property	\$1,914.94	\$1,944.87
External Term Debt (as a percentage of total assets)	9.09%	9.17%
External Term Debt (per rateable property)	\$2,849.35	\$3,412.68

Ratepayer Data	2015/16	2016/17
Total Rateable Properties	25,005	25,196

# 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 this 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.

**KEY**

- Benchmark Met
- Benchmark Not Met
- Benchmark

## RATES (INCOME) AFFORDABILITY BENCHMARK

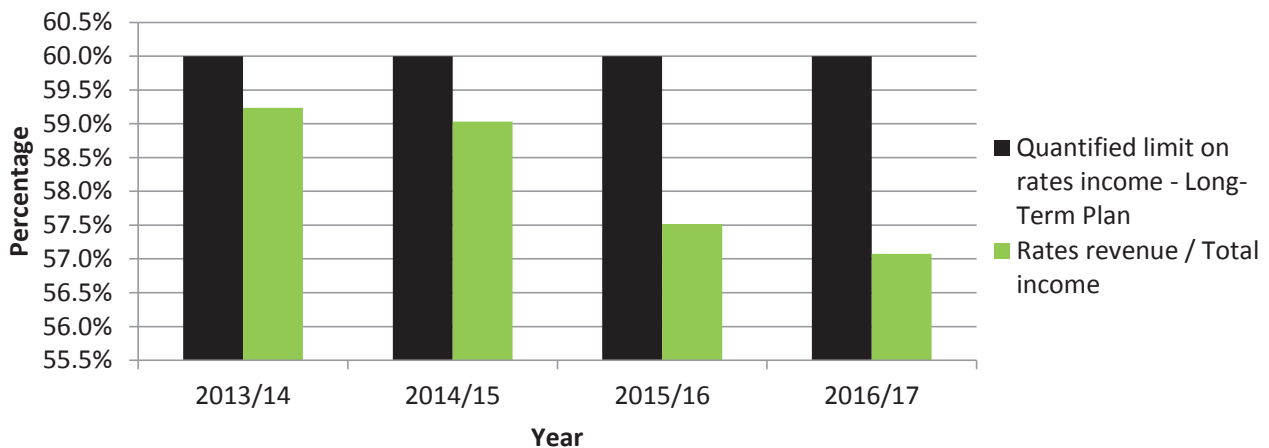
	2013/14	2014/15	2015/16	Year of Annual Report 2016/17
	\$000	\$000	\$000	\$000
Total Rates Revenue - Annual Report	45,781	46,022	47,883	49,003
Other income - Annual Report	31,504	31,940	35,369	36,854
Total Income - Annual Report	77,285	77,962	83,252	85,857

The Council meets the rates affordability benchmark if -

- its actual rates income equals or is less than each quantified limit on rates income; 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



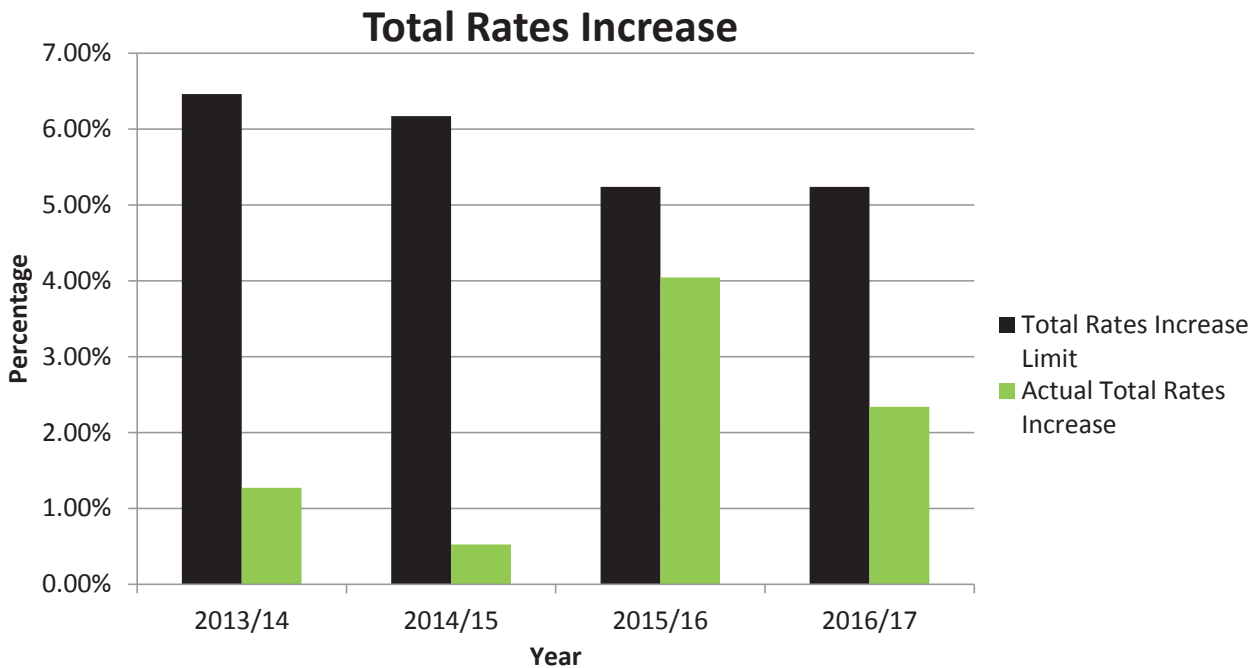
Council aims to maintain the rates collected at a maximum of 60% of the total Council revenue. Council has achieved this over the past four years.

## TOTAL RATES INCREASE

	2013/14	2014/15	2015/16	Year of Annual Report 2016/17
	\$000	\$000	\$000	\$000
Total Rates Revenue - Annual Report	45,781	46,022	47,883	49,003
LGCI (Local Government Cost Index)	3.46%	3.17%	2.24%	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 income; 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.

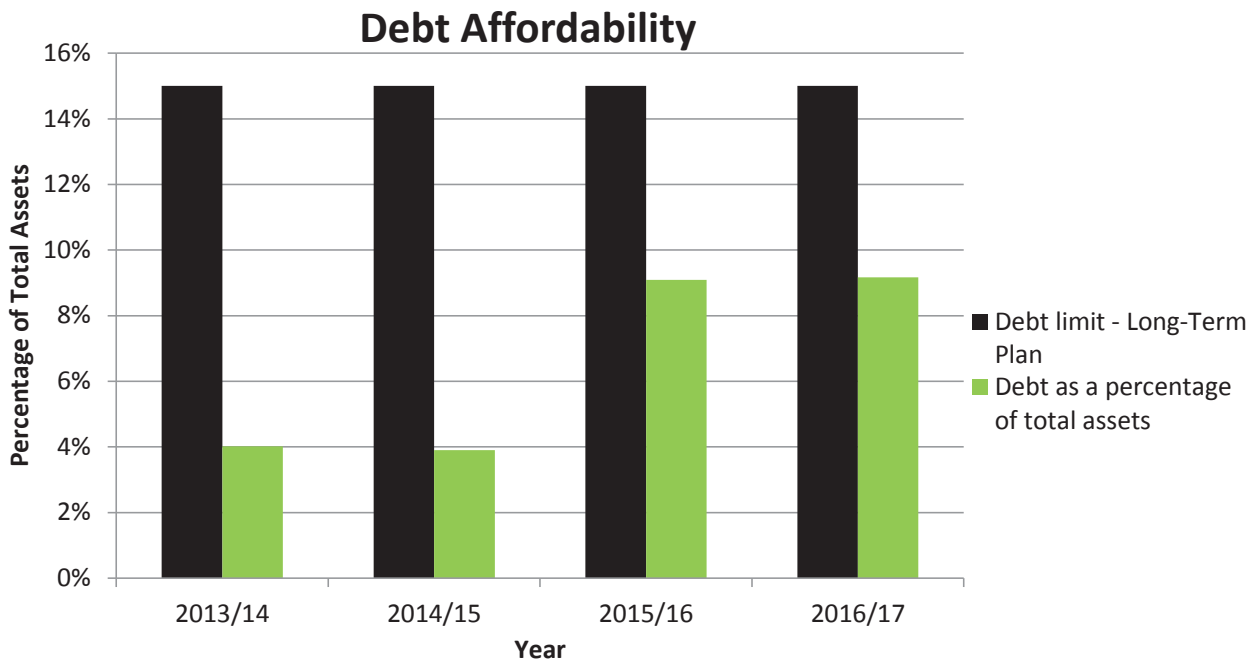
**DEBT AFFORDABILITY BENCHMARK**

	2013/14	2014/15	2015/16	Year of Annual Report 2016/17
	\$000	\$000	\$000	\$000
Total Assets - Annual Report	740,095	739,944	783,386	938,060
External Borrowing	29,716	28,861	71,248	85,986

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.



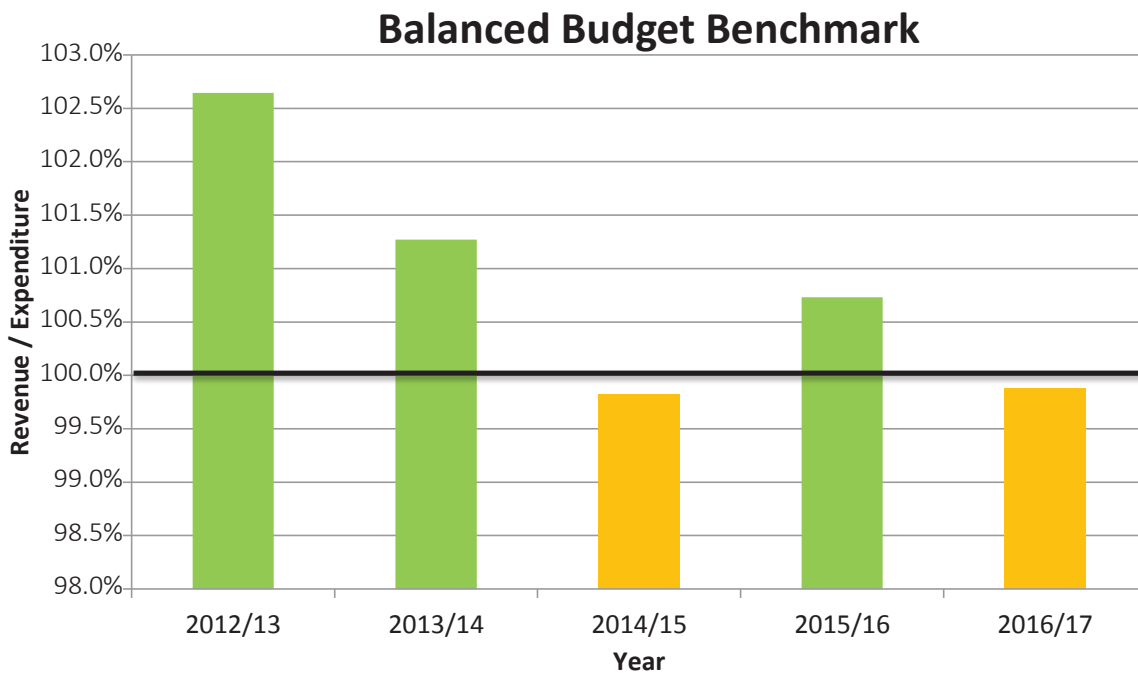
The Council has a low percentage of debt in relation to total assets, and is mindful of keeping debt to a manageable level. Council considers that setting a borrowing limit of 15% of assets will assist in prudently managing Council's borrowing activities to ensure the ongoing funding of Council.

During the 2016/17 year Council increased actual debt from around \$72m up to \$86m. The 2016/17 year was also an asset revaluation year and this saw the Council's total assets increase from \$741m to \$938m. The effect of these two increases has meant the above benchmark has remained around 9% over the past two years.

### BALANCED BUDGET BENCHMARK

	2012/13	2013/14	2014/15	2015/16	Year of Annual Report 2016/17
	\$000	\$000	\$000	\$000	\$000
Total Revenue (Excluding *)	76,776	77,285	77,962	84,474	87,495
Total Expenditure (Excluding ^)	74,797	76,314	78,104	83,860	87,602

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.

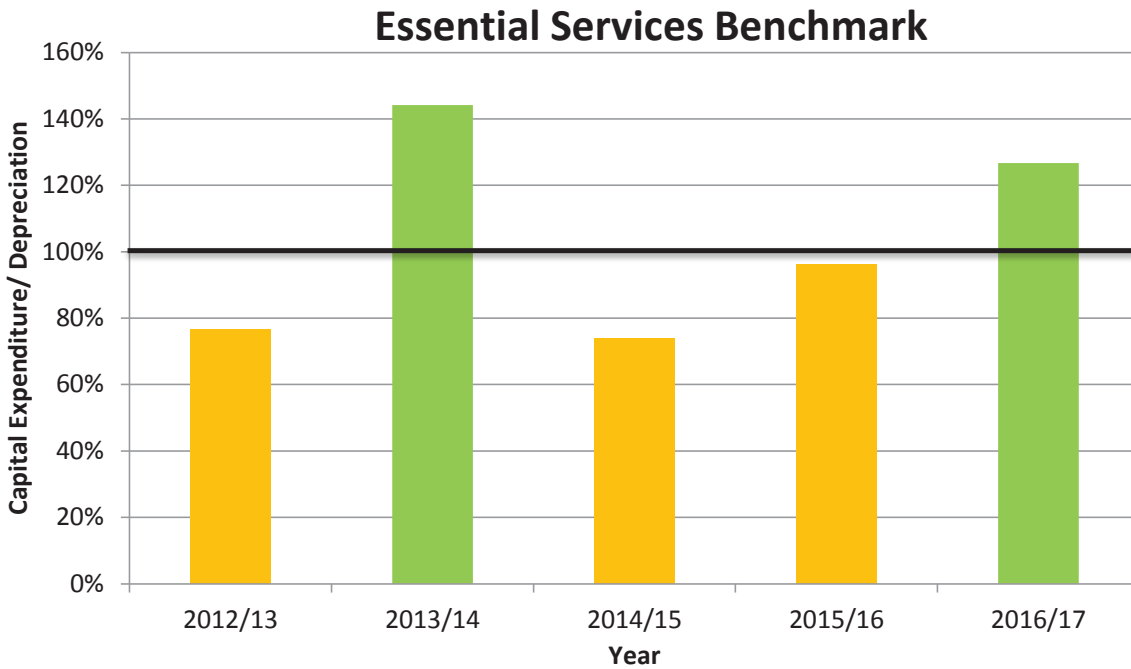
**Note:** Only revaluations of property, plant and equipment are excluded. Revaluation gains and losses on forestry, investments, investment property and carbon credits are included.

Council is aware of the issue of affordability and financial sustainability. Council revenue has been greater than its operating expenses for three of the past five 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**

	2012/13	2013/14	2014/15	2015/16	Year of Annual Report 2016/17
	\$000	\$000	\$000	\$000	\$000
Capital Expenditure (Additions) *	11,047	21,468	12,455	16,684	23,977
Depreciation ^	14,412	14,895	16,839	17,373	18,928

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 12: Property, plant and equipment.

^ Depreciation on network assets has been deemed to be depreciation of Infrastructural Assets as per Note 12: Property, plant and equipment.

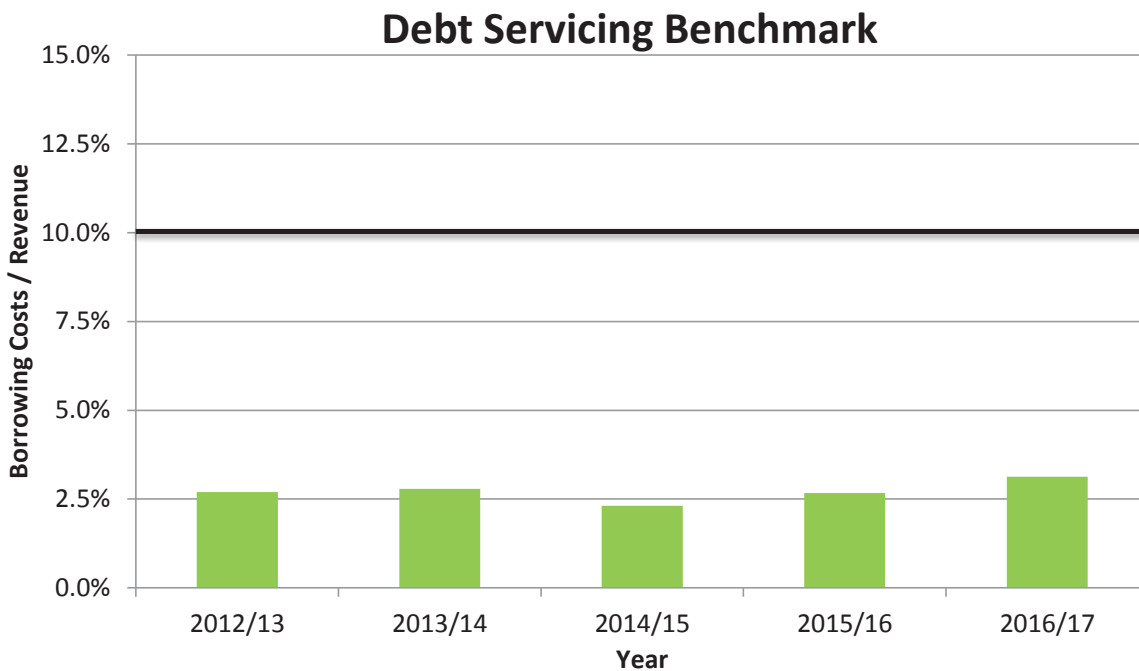
Over time Council's capital expenditure should equal its depreciation, which will mean that Council is replacing its assets as they deteriorate. However, due to some projects being large, it is hard to assess this on a year-by-year basis. During the 2016/17 year Council spent more on capital expenditure than depreciation. This was largely due to the completion of some large capital projects, in particular the Branxholme treatment plant upgrade.

### DEBT SERVICING BENCHMARK

	2012/13	2013/14	2014/15	2015/16	Year of Annual Report 2016/17
	\$000	\$000	\$000	\$000	\$000
Borrowing Costs *	2,070	2,154	1,801	2,253	2,738
Revenue (Balanced Budget)	76,776	77,285	77,962	84,474	87,495

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.



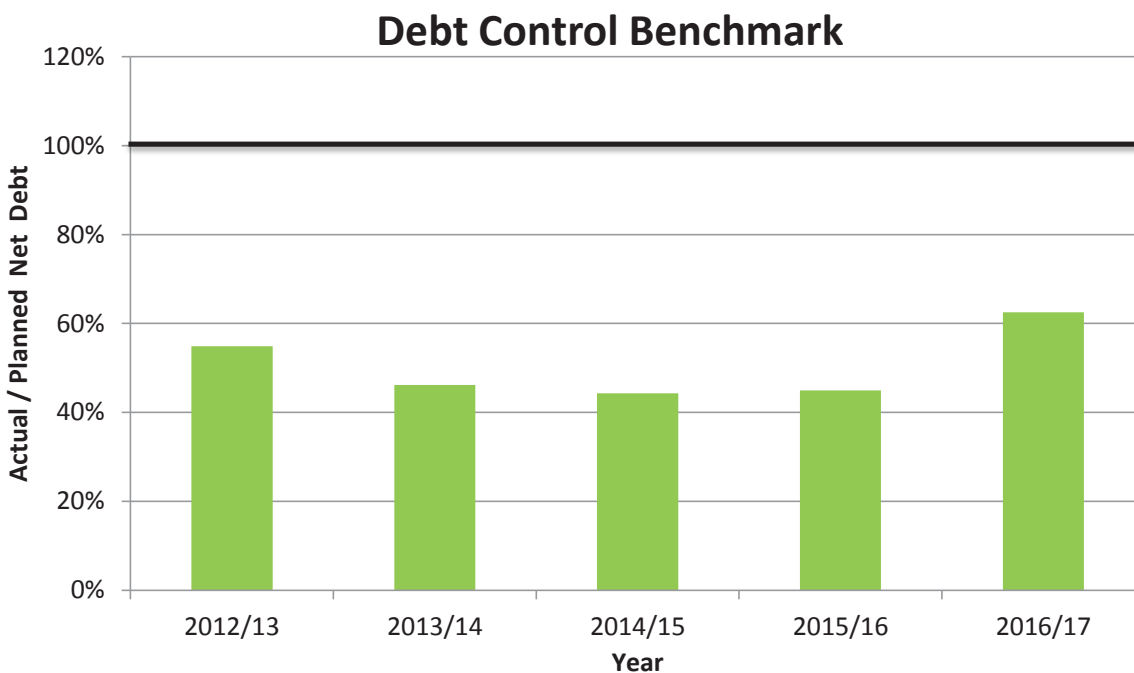
\* Deemed to be Finance Expenses from the Statement of Comprehensive Revenue and Expense.

Council's cost of debt is well under the legislative threshold of 10% of revenue. Borrowing costs have increased over the past two years due to the refinancing of internal debt with external debt.

## DEBT CONTROL BENCHMARK

	2012/13	2013/14	2014/15	2015/16	Year of Annual Report 2016/17
	\$000	\$000	\$000	\$000	\$000
<b>Actuals</b>					
Financial Assets - Annual Report *	21,843	13,746	15,278	59,529	60,704
Financial Liabilities - Annual Report ^	50,958	38,989	39,803	81,978	96,838
Actual Net Debt	29,115	25,243	24,525	22,449	36,134
<b>Planned</b>					
Financial Assets *	10,855	12,699	16,063	7,833	55,847
Financial Liabilities ^	63,918	67,368	71,436	57,791	113,616
Planned Net Debt	53,063	54,669	55,373	49,958	57,769

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 five years. Council's net debt has remained lower than planned net debt due to the deferral of large debt funded capital projects, in particular the capital work required for the Civic Administration Building.

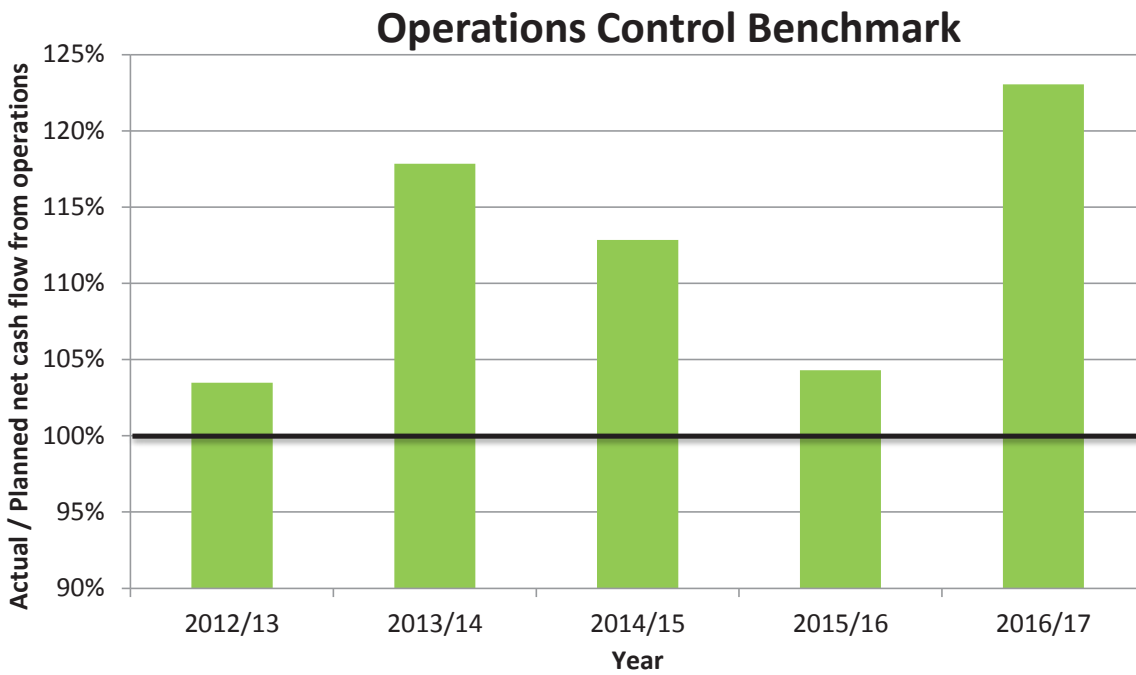


### OPERATIONS CONTROL BENCHMARK

	2012/13	2013/14	2014/15	2015/16	Year of Annual Report 2016/17
	\$000	\$000	\$000	\$000	\$000
Actual Net Cash flows from Operations *	18,530	20,248	20,906	20,370	23,094
Planned Net Cash flows from Operations ^	17,907	17,183	18,526	19,530	18,769

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 five years.

# Summary Statements

## SUMMARY STATEMENT OF FINANCIAL POSITION

As at June 30, 2017

	Council Actual 2017 (\$000)	Council Budget 2017 (\$000)	Council Actual 2016 (\$000)	Group Actual 2017 (\$000)	Group Actual 2016 (\$000)
<b>Equity</b>	<b>836,485</b>	<b>739,907</b>	<b>696,746</b>	<b>930,483</b>	<b>767,465</b>
<b>Represented by:</b>					
Current assets	34,178	16,525	42,026	38,331	43,210
Non-current assets	903,882	840,930	741,360	1,104,446	927,271
Total assets	938,060	857,455	783,386	1,142,777	970,481
Current liabilities	48,807	16,326	33,475	53,634	152,679
Non-current liabilities	52,768	101,222	53,165	158,660	50,337
Total liabilities	101,575	117,548	86,640	212,294	203,016
<b>Net assets</b>	<b>836,485</b>	<b>739,907</b>	<b>696,746</b>	<b>930,483</b>	<b>767,465</b>

## SUMMARY STATEMENT OF CHANGES IN NET ASSETS

For the year ended June 30, 2017

	Council Actual 2017 (\$000)	Council Budget 2017 (\$000)	Council Actual 2016 (\$000)	Group Actual 2017 (\$000)	Group Actual 2016 (\$000)
<b>Balance at 1 July</b>	696,746	694,070	696,108	767,465	763,762
Total comprehensive revenue and expense for the year	139,739	45,837	638	163,018	3,703
<b>Balance at 30 June</b>	<b>836,485</b>	<b>739,907</b>	<b>696,746</b>	<b>930,483</b>	<b>767,465</b>
<b>Attributable to:</b>					
Invercargill City Council	836,485	739,907	696,746	927,632	764,614
Minority interest	-	-	-	2,851	2,851
<b>Balance at 30 June</b>	<b>836,485</b>	<b>739,907</b>	<b>696,746</b>	<b>930,483</b>	<b>767,465</b>
<b>Components of net assets</b>					
Retained earnings	393,975	397,502	398,739	459,036	443,731
Restricted and non-restricted reserves	31,250	20,484	26,518	31,797	27,065
Hedging reserve	(501)	(568)	(1,122)	(2,425)	(4,493)
Carbon credit revaluation reserve	335	-	340	335	340
Asset revaluation reserve	411,426	322,489	272,271	441,740	300,822
	<b>836,485</b>	<b>739,907</b>	<b>696,746</b>	<b>930,483</b>	<b>767,465</b>

## SUMMARY STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended June 30, 2017

	Council Actual 2017 (\$000)	Council Budget 2017 (\$000)	Council Actual 2016 (\$000)	Group Actual 2017 (\$000)	Group Actual 2016 (\$000)
Total Revenue	83,887	82,588	82,209	111,660	108,380
Less:					
Operating expenditure on activities	84,224	85,913	81,392	110,657	103,137
Results from operating activities	(337)	(3,325)	817	1,003	5,243
Less:					
Net finance costs	768	1,752	1,210	4,507	4,076
Operating surplus (deficit) before tax	(1,105)	(5,077)	(393)	(3,504)	1,167
Plus:					
Other gains/(losses)	1,073	696	1,245	21,599	3,604
Share of associates' and joint ventures' surplus (deficit)	-	-	-	4,830	3,681
Surplus (deficit) before tax	(32)	(4,381)	852	22,925	8,452
Less:					
Income tax expense	-	-	-	2,988	2,774
<b>Surplus (deficit) after tax</b>	<b>(32)</b>	<b>(4,381)</b>	<b>852</b>	<b>19,937</b>	<b>5,678</b>
<b>Attributable to:</b>					
Invercargill City Council	(32)	(4,381)	852	19,916	5,657
Minority interest	-	-	-	21	21
	<b>(32)</b>	<b>(4,381)</b>	<b>852</b>	<b>19,937</b>	<b>5,678</b>
<b>Other comprehensive revenue and expense</b>					
Property, plant and equipment revaluation gains/(losses)	139,155	50,218	-	141,018	-
Carbon credit revaluation gains/(losses)	(5)	-	340	(5)	340
Cash flow hedges	621	-	(554)	2,068	(2,315)
Total other comprehensive revenue and expense	139,771	50,218	(214)	143,081	(1,975)
<b>Total comprehensive revenue and expense</b>	<b>139,739</b>	<b>45,837</b>	<b>638</b>	<b>163,018</b>	<b>3,703</b>
<b>Total comprehensive revenue and expense attributable to:</b>					
Equity holders of the Council	139,739	45,837	638	162,997	3,682
Minority interest	-	-	-	21	21
	139,739	45,837	638	163,018	3,703

## SUMMARY CASH FLOW STATEMENT

For the year ended June 30, 2017

	Council Actual 2017 (\$000)	Council Budget 2017 (\$000)	Council Actual 2016 (\$000)	Group Actual 2017 (\$000)	Group Actual 2016 (\$000)
Net cash flows from operating activities	23,094	18,769	20,370	23,360	23,911
Net cash flows from investing activities	(38,551)	(27,040)	(58,707)	(32,683)	(73,144)
Net cash flows from financing activities	14,734	8,220	42,387	10,844	46,793
<b>Net increase (decrease) in cash, cash equivalents and bank overdrafts</b>	(723)	(51)	4,050	1,521	(2,440)
Cash, cash equivalents and bank overdrafts at the beginning of the year	8,519	4,419	4,469	11,378	13,818
<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>	<b>7,796</b>	<b>4,368</b>	<b>8,519</b>	<b>12,899</b>	<b>11,378</b>

# Explanation of Major Variances

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For the year ended June 30, 2017

## **Actual 2017 against Budget 2017**

### *Statement of Financial Position*

1. Current assets are higher than budget because some actual financial asset investments, including some short term deposits, were reclassified from non-current assets to current assets but remained as non-current assets in the budget.
2. Non-current assets are higher than budget because the 3 yearly revaluation of Council's infrastructure assets was significantly higher than anticipated. These revaluations are prepared by Council staff and then reviewed by AECOM NZ Ltd.
3. Current liabilities are higher than budget because \$35m of actual loans being reclassified from non-current to current but remaining as non-current liabilities in the budget. Non-current liabilities are lower than budget for the same reason. Total borrowings were less than budget because some capital expenditure projects have been deferred.

### *Statement of Comprehensive Revenue and Expense*

4. Total revenue was higher than budget because of rental revenue from commercial sites being greater than anticipated.
5. Operating expenditure on activities was lower than budget due to operational savings within the Infrastructure areas of Council. Major areas where savings have been reduced are Contractor costs(\$604k),Electricity (\$314k), Street Cleaning expenses (\$214k) and Waste collection charges (\$235k). These General expenditure savings are a result of Management judgements in accessing expenditure requirements within the financial year.
6. Net finance costs were lower than budget due to the Council's average rate of borrowing being lower than anticipated during 2016/17 and because some loan funded capital expenditure projects have been deferred.
7. 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.

## **Actual 2017 against Actual 2016**

### *Statement of Comprehensive Revenue and Expenses*

1. Total revenue was higher than 2016 because of 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 2016 because of increases in depreciation, employee expenses, and in the administration areas of Council.

# Notes to the Financial Statements

For the year ended June 30, 2017

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 2016/17 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 2016/17 which was adopted by the Council on 31 October 2017.

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.

There have been no significant changes to accounting policies during the year.

## **Events after balance date**

Invercargill City Forests Limited, a subsidiary of ICC sold its 24.9% share in IFS Forestry Group Limited on 30 September, 2017.

# Audit Opinion

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

## Independent Auditor's Report

### To the readers of Invercargill City Council and group summary of the annual report for the year ended 30 June 2017

The summary of the annual report was derived from the annual report of the Invercargill City Council and group (the City Council and group) for the year ended 30 June 2017.

The summary of the annual report comprises the following summary statements on pages 3 to 7 and 18 to 23:

- the summary statement of financial position as at 30 June 2017;
- the summaries of the statement of changes in net assets, statement of comprehensive revenue and expense and statement of cash flows for the year ended 30 June 2017;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary of service report.

### Opinion

In our opinion:

- the summary of the 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.

### Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

### The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2017 in our auditor's report dated 31 October 2017

### Council's responsibility for the summary of the annual report

The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS-43: Summary Financial Statements.



### **Auditor's responsibility**

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: Summary Financial Statements.

Our opinion on the summary of the annual report is based on our procedures, which were carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor of the statutory audit and Debenture Trust Deed, we have no relationship with, or interests in the City Council and group.



Ian Lothian,  
Audit New Zealand  
On behalf of the Auditor-General  
Dunedin, New Zealand  
21 November 2017







INVERCARGILL CITY COUNCIL • PRIVATE BAG 90104 • INVERCARGILL 9840 • NEW ZEALAND  
PHONE (03) 211 1777 • FAX 03 211 1433 • [www.icc.govt.nz](http://www.icc.govt.nz)