



*Pūrongo-ā-tau*  
**2016-2017**  
annual report



Front Cover - Queens Park Trees  
Photo - Dakota Brown

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# Invercargill Introduced

*Kupu Arataki Waihōpai*



In 2013 the Invercargill District had a total population of 51,696. This is a 2.7% increase on the 2006 population. According to Statistics New Zealand a District population of 54,800 (medium projection) is estimated by 2043.

The District's median age is 38 years - the New Zealand median age is 37 years.

Most residents (91%) were born in New Zealand.

Home ownership or homes held in a family trust in Invercargill is 70.4%, slightly higher than the New Zealand average.

The unemployment rate in Invercargill City is 5.2% for people aged 15 years and over, compared with 5.1% for all of New Zealand.

Invercargill's median income is \$27,400 slightly below the New Zealand average of \$28,500. However, major living costs are substantially lower. Invercargill has the lowest average house price (\$217,665), and mean weekly rent (\$204) in the country.

Couples with children make up 38.7% of all families in Invercargill City, while the New Zealand average is 42.0%.

According to BERL (Business and Economic Research Limited) Invercargill City forms a manufacturing and services hub for the region. In total, 18.2% of the City's employment is in manufacturing, the highest proportion of any New Zealand city. Two particular industries - meat processing and basic non-ferrous metal manufacturing (which includes aluminium smelting) - account for over half the City's manufacturing employment.

Extending from Makarewa in the north to Bluff in the south, Kennington in the east and Oreti Beach in the west, the Invercargill District encompasses an area of 49,142 hectares. Landscape features of importance to the community include Bluff Hill (Motupohue) and an extensive network of waterways which bisect the District. The urban areas of Invercargill and Bluff contain extensive areas of open space as well as distinct heritage buildings.

The District's coastal location provides a mild climate with long summer daylight hours and defined seasonal variations. The average annual temperature is 9.9°C with 1,614 sunshine hours. Rainfall averages 1,112mm/year and is spread evenly throughout the year.

## council vision

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



# Mayor's Comment

*He karere nā te koromatua*



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 Branhholme. 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.

Tim Shadbolt  
**MAYOR OF INVERCARGILL**

# Chief Executive's Comment

*He karere nā 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**

# Elected Representatives



**Tim Shadbolt**  
MAYOR  
03 211 1672

The Invercargill City Council is chosen by the Invercargill public in elections held every three years. The last election was held in October 2016; the next Election Day will be in October 2019. The Council consists of the Mayor and 12 Councillors and its role is to provide and maintain services and amenities for the public of Invercargill. The Council is chosen by electors (the Invercargill public) to govern the City's affairs, such as making decisions on spending, priorities and policies.

*Councillors for the 2016/17 year were:*



**Lindsay Abbott**  
027 290 1142



**Rebecca Amundsen**  
DEPUTY MAYOR  
027 225 2664



**Allan Arnold**  
027 433 6408



**Karen Arnold**  
03 217 9360



**Toni Biddle**  
027 869 2065



**Alex Crackett**  
021 535 953



**Lloyd Esler**  
03 213 0404



**Graham Lewis**  
021 676 647



**Darren Ludlow**  
021 217 2848



**Ian Pottinger**  
03 217 4579



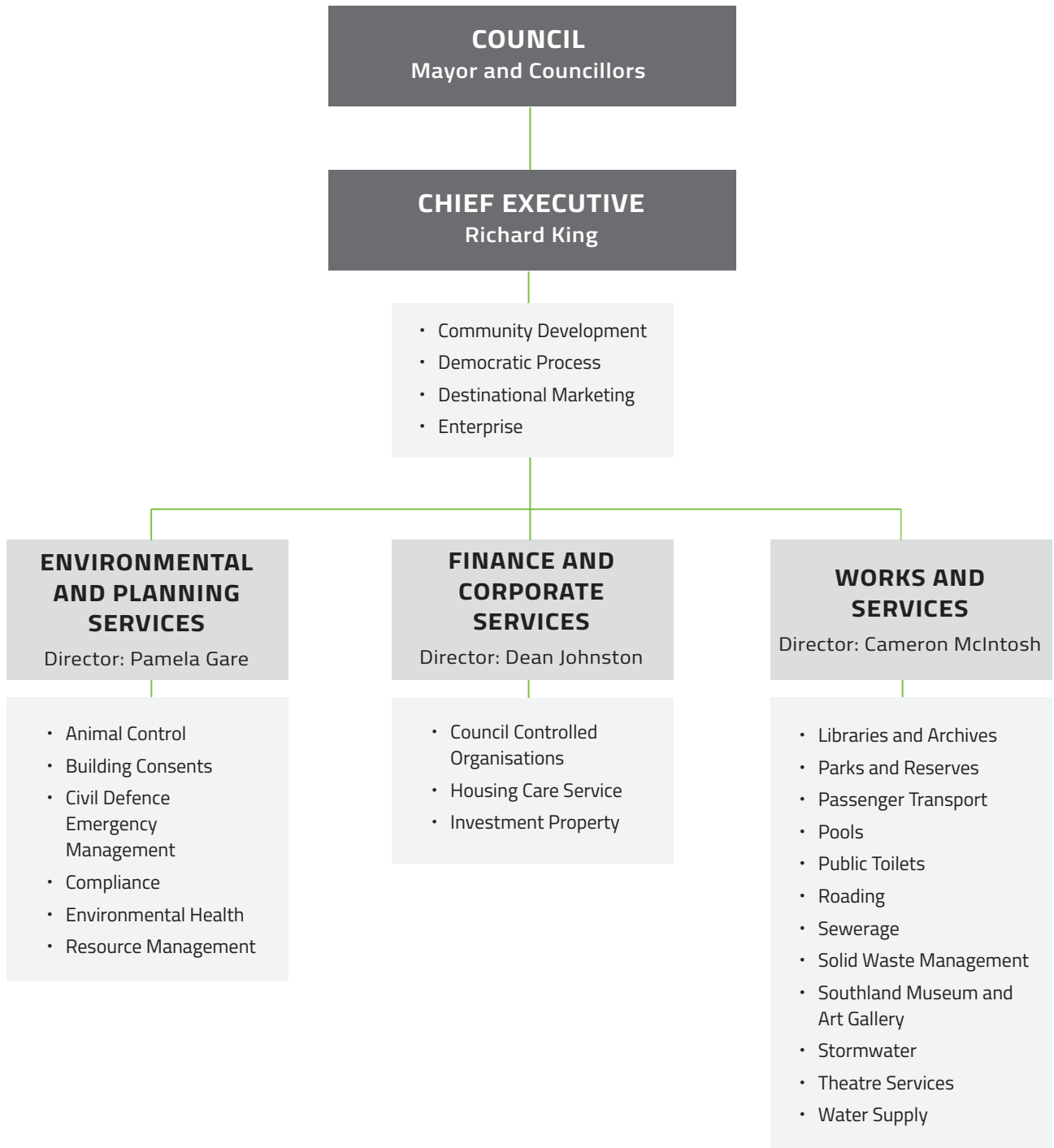
**Lesley Soper**  
03 216 6427



**Lindsay Thomas**  
027 472 4730

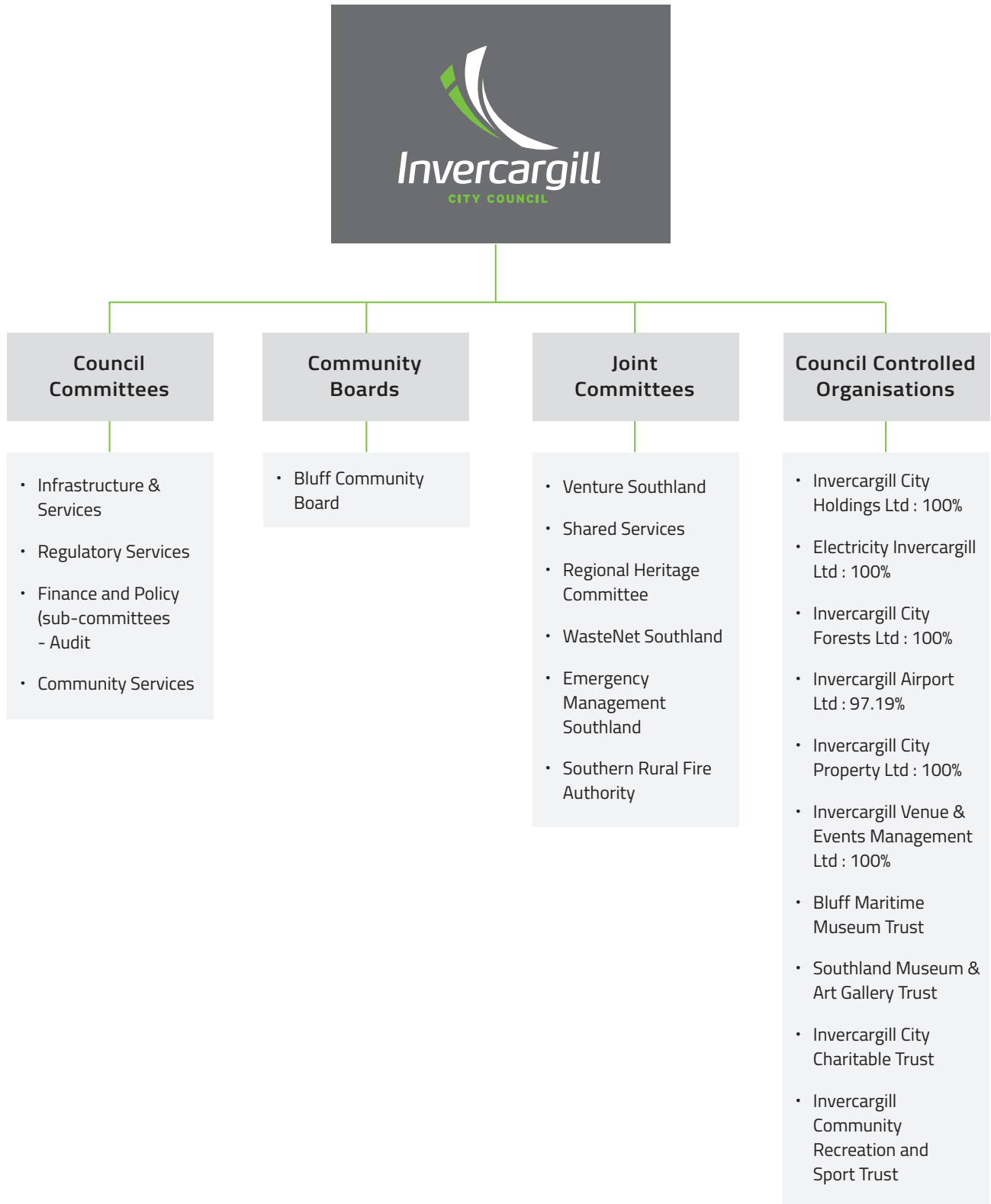


# Management Structure



The Council (elected members) employs the Chief Executive to head the management structure.

# Council Structure



# 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

\* Please refer to Note 1 in the Notes to the Financial Statements for further information regarding rateable property numbers.

## FUNDING IMPACT STATEMENT - INVERCARGILL CITY COUNCIL

The Funding Impact Statement shows the sources and applications of Council's funding.

	Long Term Plan 2015 - 2025	Council Actual	Annual Plan	Council Actual
	2015/16 \$'000	2015/16 \$'000	2016/17 \$'000	2016/17 \$'000
<b>SOURCES OF OPERATIONAL FUNDING</b>				
General rates, uniform annual general charges, rates penalties	6,898	7,196	6,893	7,115
Targeted rates	40,737	40,687	41,888	41,888
Subsidies and grants for operating purposes	3,311	3,908	3,488	3,934
Fees and charges	13,661	13,628	13,290	13,879
Interest and dividends from investments	4,915	5,776	7,390	7,302
Local authorities fuel tax, fines, infringement fees, and other receipts	8,757	10,161	8,280	10,975
<b>Total operating funding (A)</b>	<b>78,279</b>	<b>81,356</b>	<b>81,229</b>	<b>85,093</b>
<b>Applications of operational funding</b>				
Payments to staff and suppliers	60,168	61,591	62,016	62,968
Finance costs	2,182	2,253	3,842	2,738
Other operating funding applications	-	-	-	-
<b>Total applications of operational funding (B)</b>	<b>62,350</b>	<b>63,844</b>	<b>65,858</b>	<b>65,706</b>
<b>Surplus (deficit) of operational funding (A-B)</b>	<b>15,929</b>	<b>17,512</b>	<b>15,371</b>	<b>19,387</b>
<b>SOURCES OF CAPITAL FUNDING</b>				
Subsidies and grants for capital expenditure	3,651	3,955	3,449	2,815
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	14,854	(2,562)	8,220	16,325
Gross proceeds from sale of assets	202	443	139	810
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>18,707</b>	<b>1,836</b>	<b>11,808</b>	<b>19,950</b>
<b>APPLICATION OF CAPITAL FUNDING</b>				
Capital expenditure				
- to meet additional demand	1,156	1,623	8,425	10,733
- to improve the level of service	9,303	3,958	1,217	10,147
- to replace existing assets	27,330	13,787	18,110	17,661
Increase (decrease) in reserves	(4,153)	(20)	(1,559)	308
Increase (decrease) in investments	1,000	-	986	488
<b>Total application of capital funding (D)</b>	<b>34,636</b>	<b>19,348</b>	<b>27,179</b>	<b>39,337</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(15,929)</b>	<b>(17,512)</b>	<b>(15,371)</b>	<b>(19,387)</b>
<b>FUNDING BALANCE ( (A-B) + (C-D) )</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation expense (not included in the above FIS)	22,229	21,890	23,897	23,496

# 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

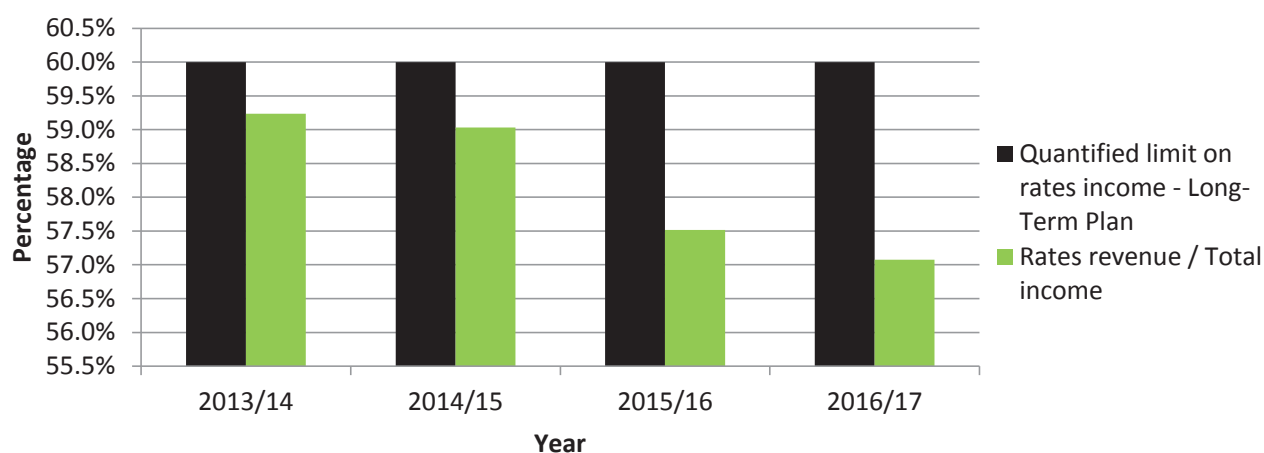
	2013/14	2014/15	2015/16	Year of Annual Report 2016/17
	\$000	\$000	\$000	\$000
Total Rates Revenue - Annual Report	45,781	46,022	47,883	49,003
Other income - Annual Report	31,504	31,940	35,369	36,854
Total Income - Annual Report	77,285	77,962	83,252	85,857

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.



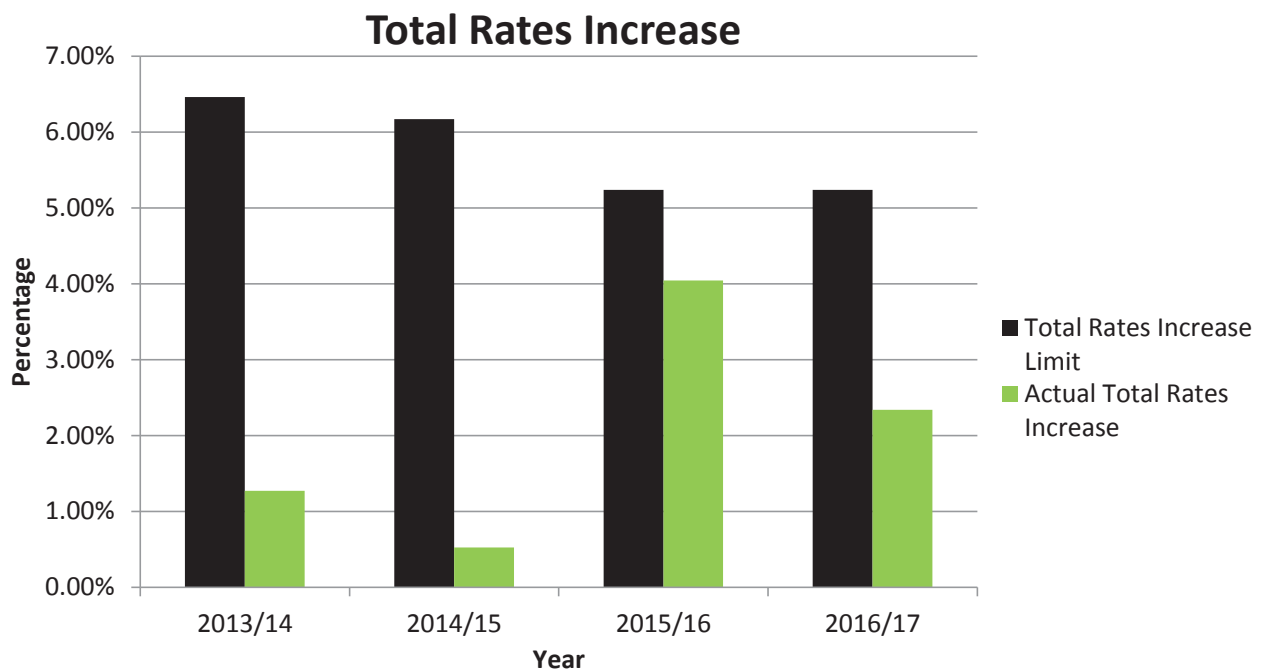
## TOTAL RATES INCREASE

	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.

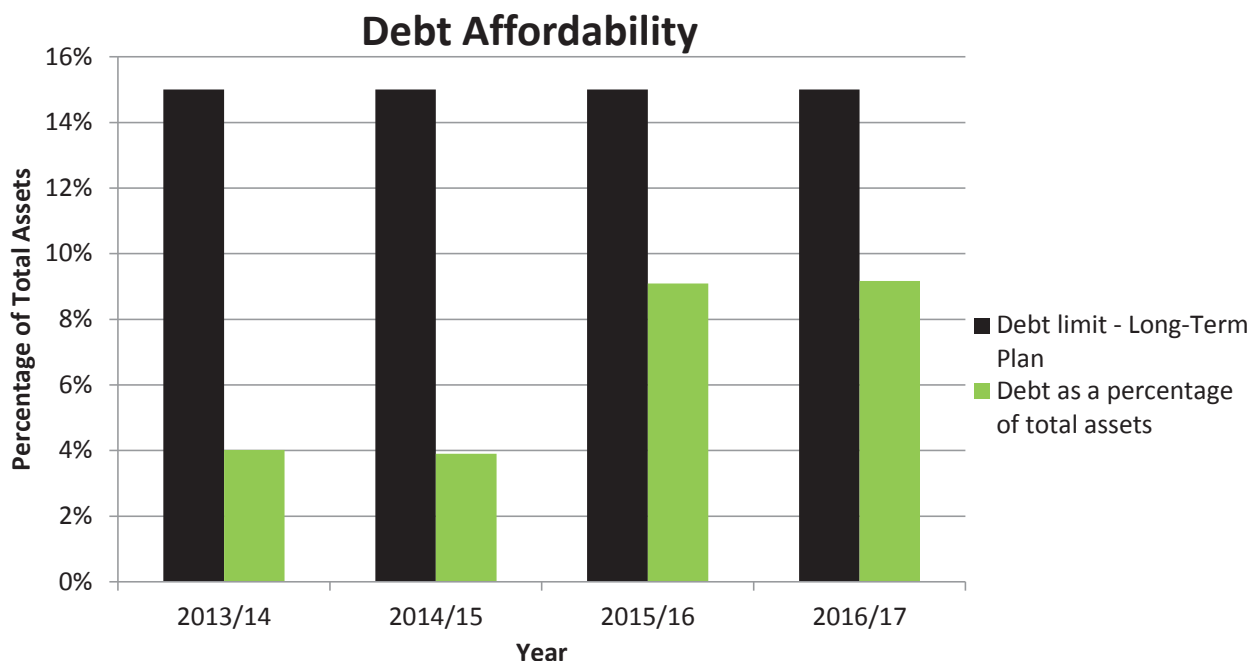
## DEBT AFFORDABILITY BENCHMARK

	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.

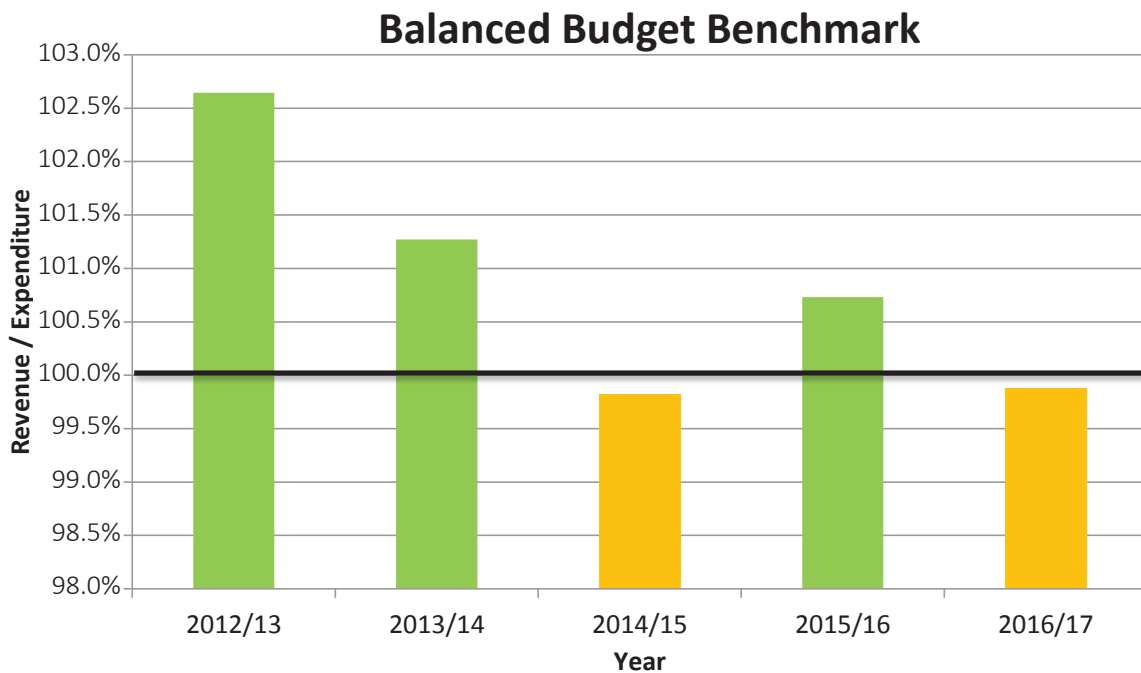
During the 2016/17 year Council increased actual debt from around \$72m up to \$86m. The 2016/17 year was also an asset revaluation year and this saw the Council's total assets increase from \$741m to \$938m. The effect of these two increases has meant the above benchmark has remained around 9% over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

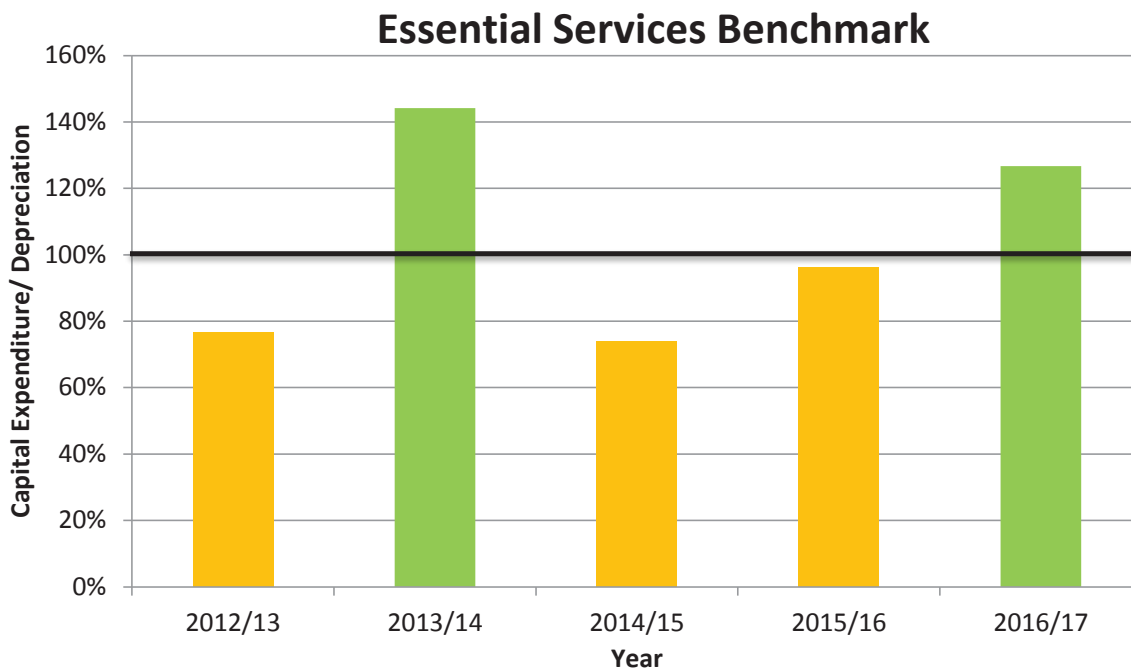
Note: Only revaluations of property, plant and equipment are excluded. Revaluation gains and losses on forestry, investments, investment property and carbon credits are included.

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.

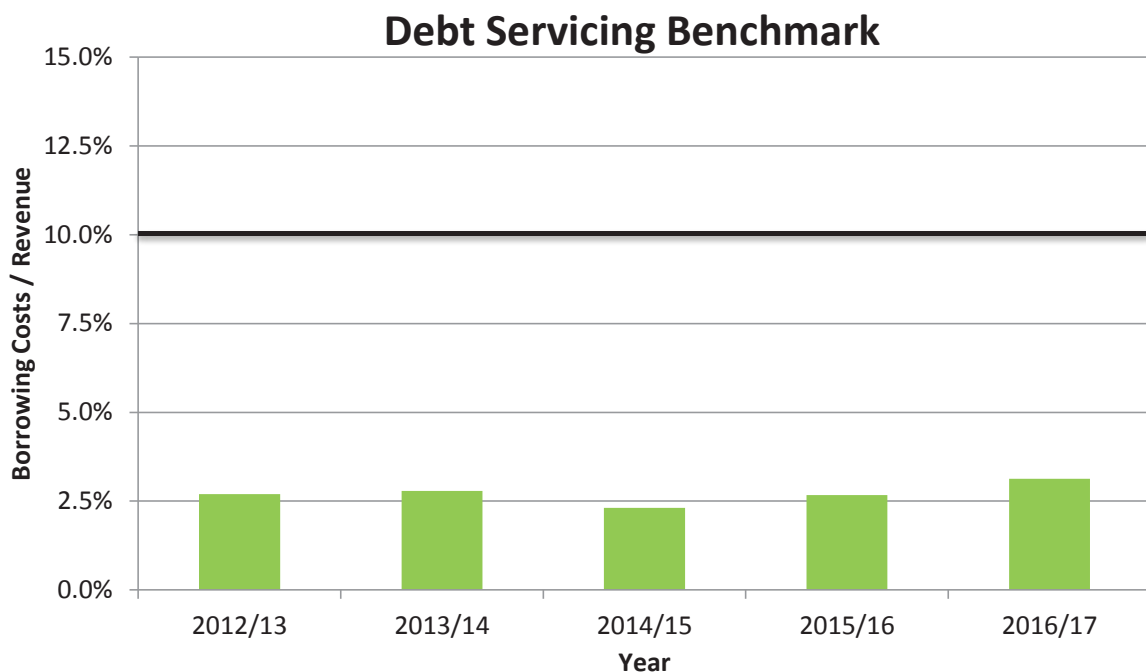
Over time Council's capital expenditure should equal its depreciation, which will mean that Council is replacing its assets as they deteriorate. However, due to some projects being large, it is hard to assess this on a year-by-year basis. During the 2016/17 year Council spent more on capital expenditure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

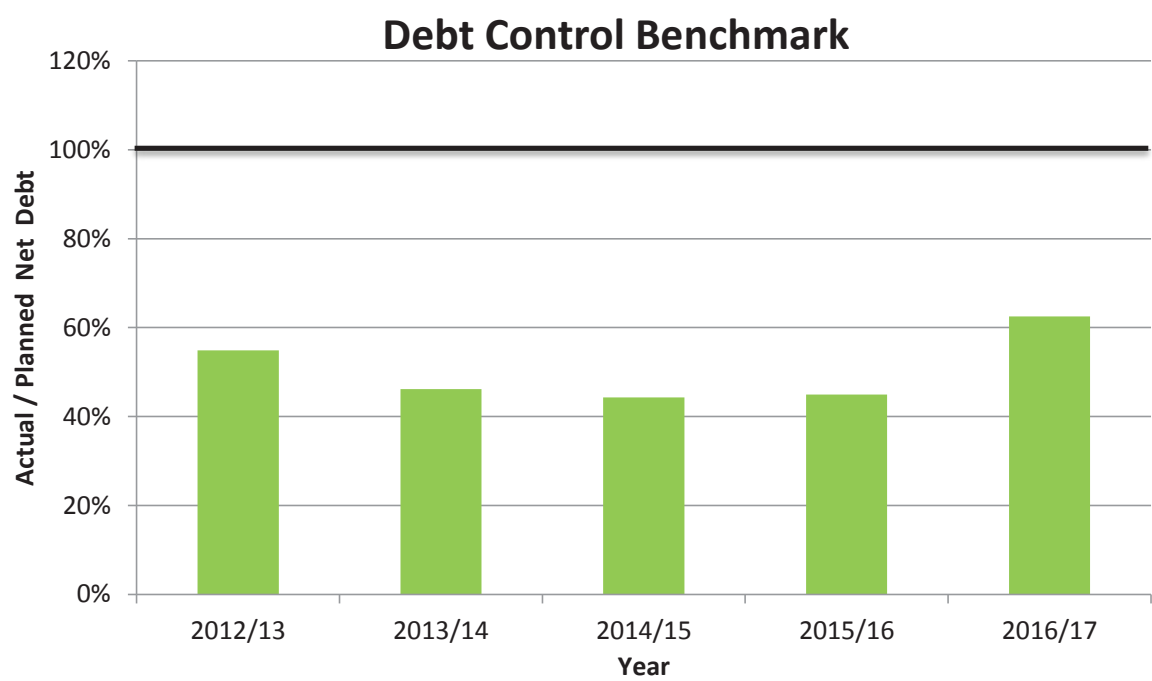
Council's cost of debt is well under the legislative threshold of 10% of revenue. Borrowing costs have increased over the past two years due to the refinancing of internal debt with external debt.



### 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.

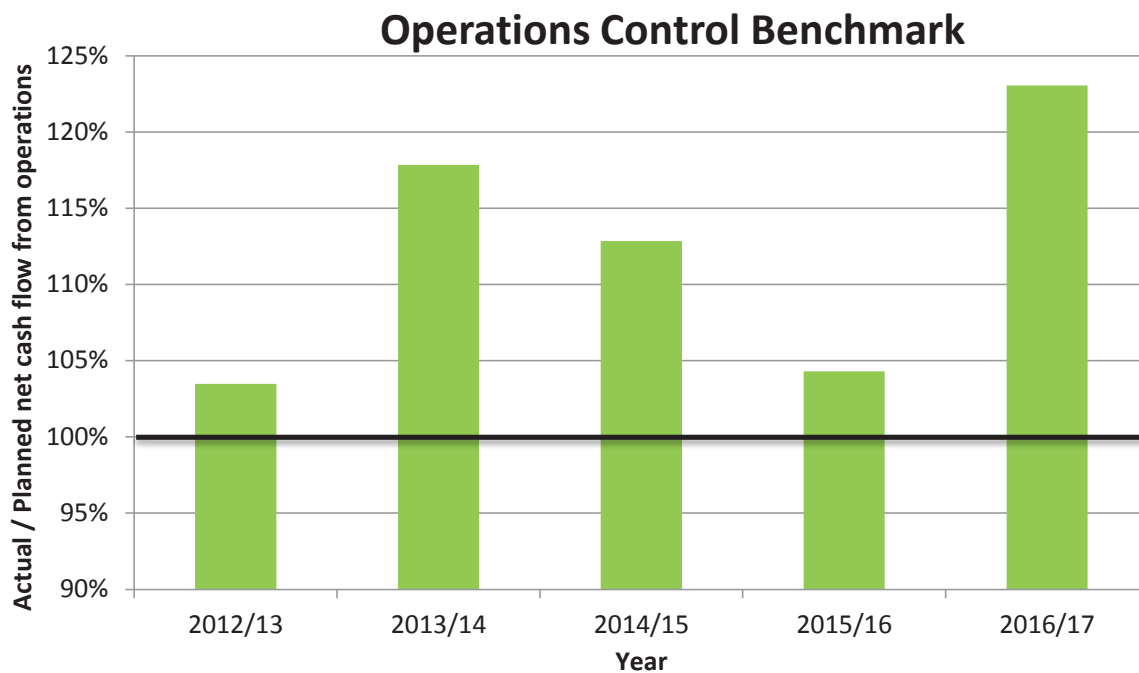
Council's actual net debt position has consistently been below its planned net debt position for the past five years. Council's net debt has remained lower than planned net debt due to the deferral of large debt funded capital projects, in particular the capital work required for the Civic Adminstration 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.

## 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)

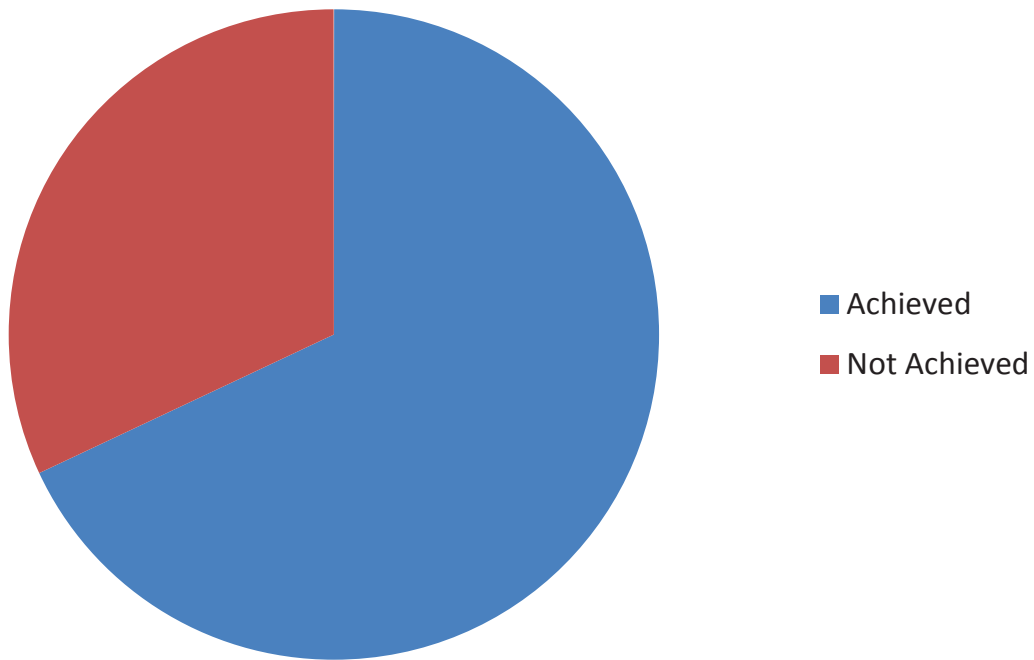
Infrastructure and Services continued	
▪ Roding - Surveillance Cameras	\$154,919 (funded from Rates)
▪ Roding - Administration (Bluff boat ramp works)	\$500,000 (funded from Loans)
▪ Roding - Streetlight 11 year programme	\$368,000 (funded from Rates and NZTA )
▪ Roding - Chipseal Maintenance	\$262,962 (funded from Rates and NZTA)
▪ Roding - 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)

# 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 above, "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.



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 are 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 rate 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%)

# Audit Opinion



## Independent Auditor's Report

### To the readers of Invercargill City Council's annual report for the year ended 30 June 2017

The Auditor-General is the auditor of Invercargill City Council (the City Council) and its subsidiaries and controlled entities (the Group). The Auditor-General has appointed me, Ian Lothian, using the staff and resources of Audit New Zealand, to report on the information in the City Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the City Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the City Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 31 October 2017. This is the date on which we give our report.

### Opinion on the audited information

In our opinion:

- the financial statements on pages 144 to 248:
  - present fairly, in all material respects:
    - the City Council and Group's financial position as at 30 June 2017;
    - the results of the operations and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards;
- the funding impact statement on page 8, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's annual plan;
- the statement of service provision on pages 19 to 23, and 29 to 141:
  - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2017, including:
    - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;



- the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
  - complies with generally accepted accounting practice in New Zealand; and
- the statement about capital expenditure for each group of activities on pages 29 to 141, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the City Council's Long-term plan; and
- the funding impact statement for each group of activities on pages 29 to 141, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's Long-term plan.

### **Report on the disclosure requirements**

We report that the City Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 9 to 16, which represent a complete list of required disclosures and accurately reflect the information drawn from the City Council and Group's audited information and, where applicable, the City Council's long-term plan and annual plan.

### **Basis for opinion on the audited information**

We carried out our audit 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. We describe our responsibilities under those standards further in the "Responsibilities of the auditor for the audited information" section of this report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the audited information.

### **Responsibilities of the City Council for the audited information**

The City Council is responsible for meeting all legal requirements that apply to its annual report.

The City Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The City Council is responsible for such internal control as it determines is necessary to enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the City Council is responsible for assessing its ability to continue as a going concern. The City Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the City Council and the Group or there is no realistic alternative but to do so.

### **Responsibilities of the auditor for the audited information**

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the City Council's Long-Term plan and annual plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City Council and Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the City Council.
- We determine the appropriateness of the reported intended levels of service in the statement of service provision, as a reasonable basis for assessing the levels of service achieved and reported by the City Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the City Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the City Council and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures

are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the City Council and the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the entities or business activities within the Group to express an opinion on the consolidated audited information.

We communicate with the City Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Other Information

The City Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 1 to 7, 28, and 249 to 252, but does not include the audited information and the disclosure requirements.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Independence

We are independent of the City Council and Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit and our report on the disclosure requirements, we have carried out a limited assurance report on the City Council's Debenture Trust Deed, which is compatible with those independence requirements. Other than this engagement we have no relationship with or interests in the City Council or its subsidiaries and controlled entities.



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

# Statement of Compliance



The Council and its officers are responsible for the preparation of this Annual Report for 2016/17.

This report has been prepared in accordance with the provisions of the Local Government Act 2002, and the Reporting Standards of the New Zealand Institute of Chartered Accountants.

This report was approved and adopted by a meeting of the Invercargill City Council on 31 October 2017.

It correctly reflects the Council's financial position and operating results for the year ended 30 June 2017 and complies with all statutory requirements in relation to the Annual Report.

A handwritten signature in black ink, appearing to read "T R Shadbolt".

T R Shadbolt  
**MAYOR**

A handwritten signature in black ink, appearing to read "R W King".

R W King  
**CHIEF EXECUTIVE**

# Council Activities & Projects

*Ā tātou mahi*



This section outlines all of the activities of Council and includes information so that the Community can see how we planned, managed, delivered and funded activities.

The first five groups of activities encompass the infrastructural services role of Council. These are generally accepted as essential for a predominantly urban population. The cost of providing these five groups of activities accounts for over 50% of Council's rates draw. These activities are:

- Roading
- Sewerage
- Solid Waste Management
- Stormwater
- Water Supply

The Development and Regulatory Services group of activities include those which enable people to live closely together by establishing with the Community minimum standards for development and behaviour. The activities within this group are:

- Animal Control
- Building Control
- Civil Defence Emergency Management
- Compliance
- Environmental Health
- Resource Management

The Community Services Group include activities which provide services and facilities for the Community's enjoyment. The activities within this group are:

- Community Development
- Housing Care Services
- Libraries and Archives
- Parks and Reserves
- Passenger Transport
- Pools
- Public Toilets
- Theatre Services

The Corporate Services activities include those which provide democratic processes and provide or promote business-to-business relationships. The activities are:

- Democratic Process
- Destinalional Marketing
- Enterprise
- Investment Property





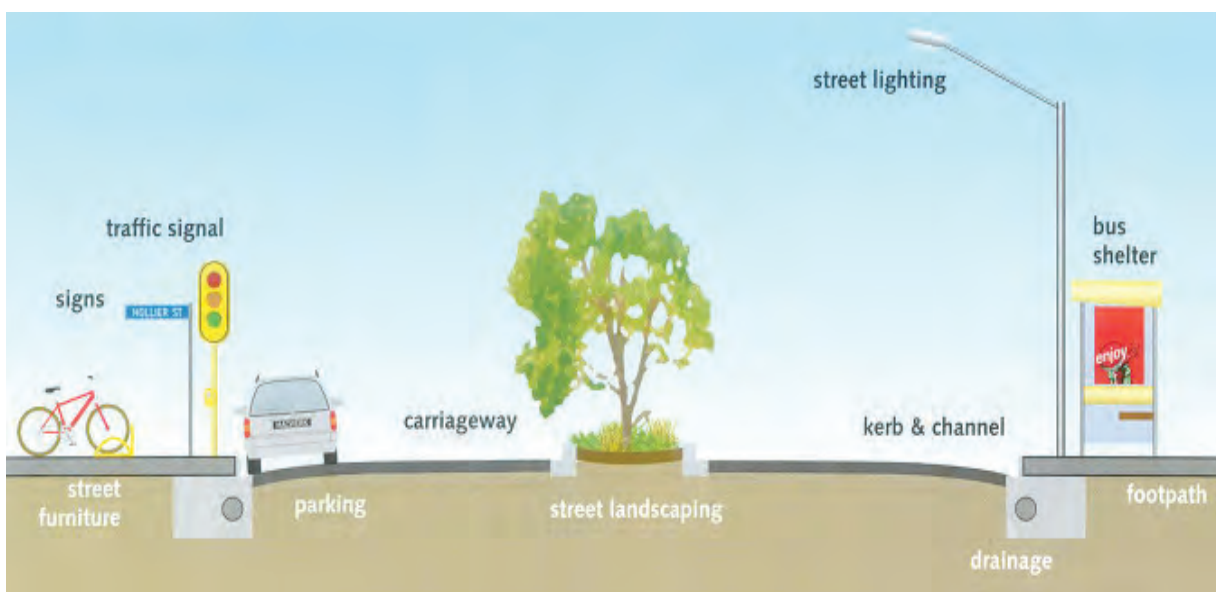
# Roading



## WHAT WE HAVE DONE

The Roading Activity provided a safe, convenient and efficient transport system in the City. This was achieved by providing smooth road surfaces appropriate for the level of road usage; enhancing the safety of the roading network through the provision

of street lighting; carrying out renewal programmes which ensured the assets were sustainably managed; and providing more opportunities for walking and cycling.



## WHAT WE AGREED WITH THE COMMUNITY

Community Outcome	Council's Role	How the Activity Contributes	Customer Level of Service	Measure of Service
A City that is a great place to live and visit.	Design spaces, buildings and roads with community safety and interest in mind, and encourage others to do the same.	Council provides street lighting, signs, road markings and signals on urban roads so that vehicles, cyclists and pedestrians can travel in safety.	Provision of a street lighting network in urban areas.	Compliance with the New Zealand Street Lighting Standard.
A diverse and growing economy.	Ensure that the building blocks for sustainable business are in place, including energy, water, communications and workforce.	Quality road surfaces, road signs and markings and traffic signals allow people and vehicles to easily travel within the District in a safe and efficient manner for their business and leisure activity requirements.	Traffic signs, road name signs and public street maps are well maintained.	Road Safety.
				Response to Service Requests.
				Road condition.
				Road maintenance.
			Operational traffic signals promote the safe movement of people and vehicles.	Signs and maps are promptly "responded to" when vandalised or missing.*
Healthy lifestyles in a healthy environment.	Provide and promote access to open spaces, including green spaces and the coast.	The footpaths and cycleway network encourages people to become physically active and provides access to open spaces.	Promotion of Council's cycling network.	Traffic signals are "responded to" within one hour for emergency works, four hours for serious faults and 12 hours for minor faults.*
				Footpaths.
				Council's cycling network is fully marked.

\* "Responded to" means that Council's contractor has been informed, inspected the issue and taken the necessary steps to resolve the problem.



## HOW DID WE MEASURE UP

Measure	Target 2016/2017	Result 2016/2017
Compliance with the New Zealand Street Lighting Standard.	Increasing percentage.	Not Achieved - 87% (2015/16: Achieved - 87%)
Vandalised/missing signs and maps are promptly "responded to".	Greater than 92% within 48 hours.	Achieved - 94.2% (2015/16: Achieved - 97%)
Traffic signals are "responded to" within one hour for emergency works, four hours for serious faults and 12 hours for minor faults.	90%	Not Achieved - 82.8% (based on emergency works only) (2015/16: Achieved - 92%)
Council's cycling network is fully marked.	Increasing percentage.	Achieved - Additional cycle network completed (2015/16: Achieved - 84%)

National Non Financial – Performance Measure	Target 2016/2017	Result 2016/2017
<b>Road Safety</b> The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number.	Reducing number	Not Achieved 2016/17: 21 (1 Fatal; 20 Serious) 2015/16: 16 (2 Fatal; 14 Serious) [Period used is 1 Jan to 31 Dec] (2015/16: Not Achieved - 16)
<b>Road Condition</b> The average quality of ride on a sealed local road network, measured by smooth travel exposure.	Urban > 81% Rural > 93%	Achieved Urban 88% Rural 96% (2015/16: Achieved, Urban: 87% and Rural: 96%)
<b>Road Maintenance</b> The percentage of the sealed local road network that is resurfaced.	Chipsealing 6.1%	Not Achieved - 4.1% (2015/16: Achieved - 6.1%)
<b>Footpaths</b> The percentage of footpaths within a Council's district that fall within the level of service or service standard for the condition of footpaths as set out in the Asset Management Plan.	Less than 8% of sealed footpaths have a condition of very poor.	Achieved Very poor condition rated - 1.23% (Achieved - 1.36% condition of very poor)
<b>Response to Service Requests</b> The percentage of customer service requests relating to roads and footpaths to which the territorial authority responds within the time frame specified in the Long Term Plan.	80% within five days.	Not Achieved - 64.8% (2015/16: Achieved - 77.1%)

## THE DETAILS

### 1 - Street Lighting Compliance

A small amount of additional street lighting was improved, so, Council considers this measure not achieved during the year. The significant improvements planned for the year have been delayed due to ongoing LED developments.

### 2 - Traffic Signals

The result shown relates to the “emergency” response works within one hour as this directly impacts on the safety and operation of the intersections. In some months only limited responses have been required, and where one is missed or data not recorded adequately, then the result can be impacted significantly. Overall the response provided by the Contractor has been positive, timely and they have knowledgeable staff to quickly initiate repairs.

### 3 - Cycling Network

Additional cycleways have been added in the Racecourse Road area to connect two other cycleways. Current projects are to better record the way cycleways are utilised to assist this measure.

### 4 - Road Safety

This measure has not been achieved and is disappointing. This has a high society impact. The number of fatalities has reduced and fortunately the base is very low. This is an area where greater community effort is required.

### 5 - Road Maintenance

This measure is not achieved, although if all planned work had been completed the measure would still be below the target. Part of this is due to where (urban or rural) the work is undertaken as this impacts the cost and therefore the length completed. The network needs are being met and those uncompleted works are due to coordination of work and weather delays.

### 6 - Footpaths

A full condition rating was undertaken and again the low very poor percentage indicates a network in reasonable condition.

### 7 - Responses to Service Requests

A disappointing result however the data recording approach is being reviewed to give clearer outcomes. Some requests are not completed until the physical work is undertaken and this gives results outside the Key Performance Indicator.

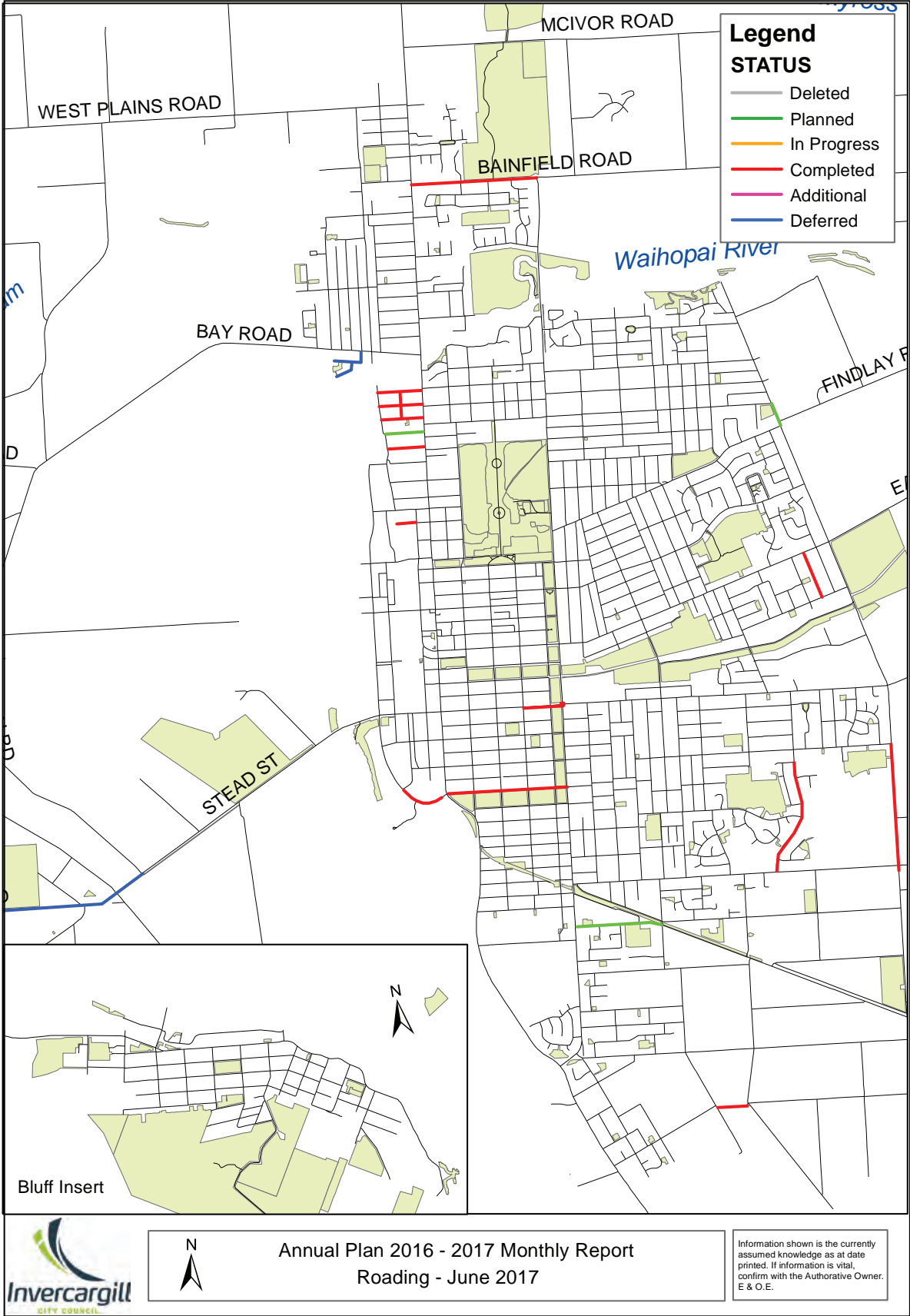
### 8 - Road Condition

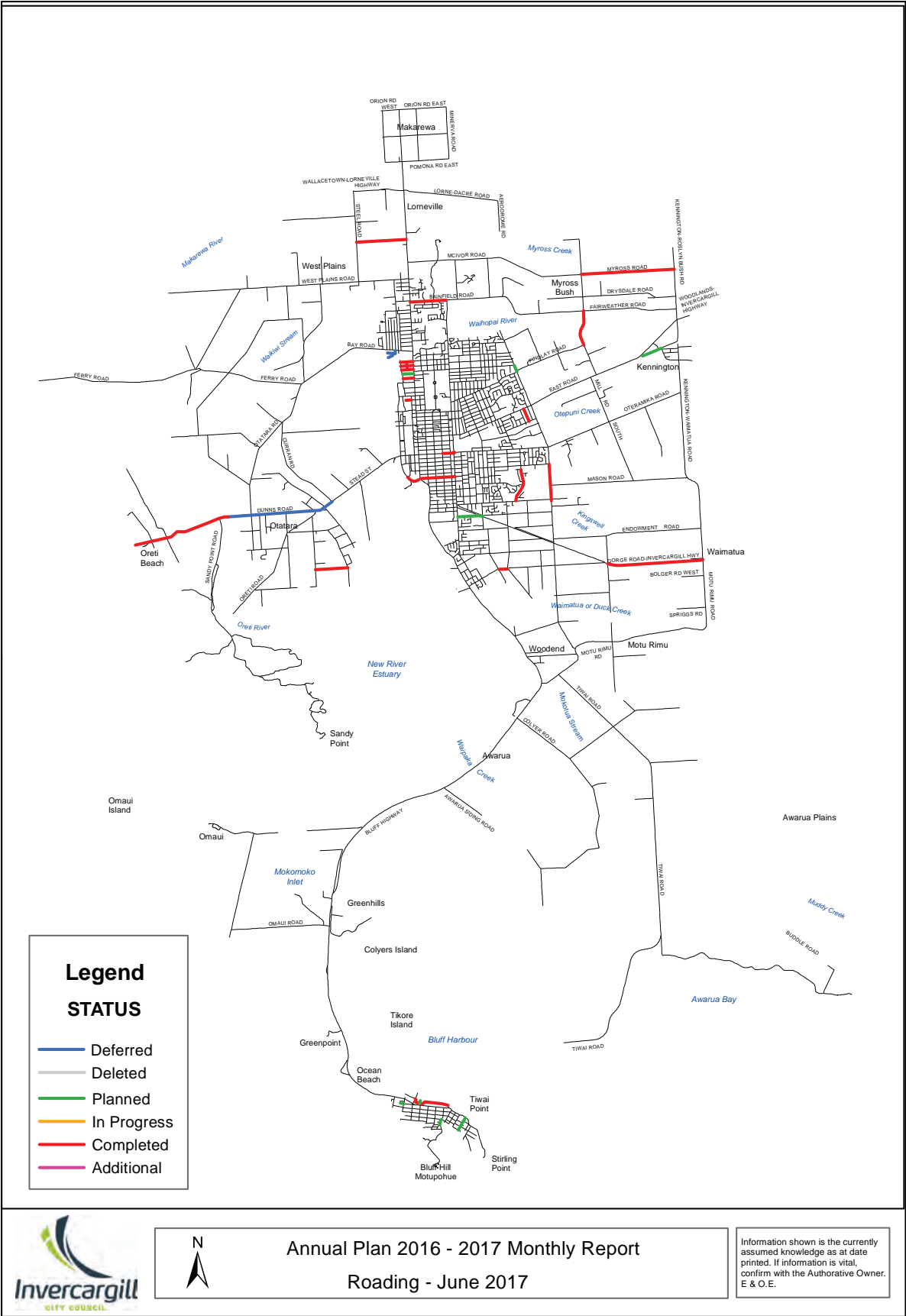
Council undertakes the roughness survey every two years between January and April. The last roughness survey was undertaken in January to April 2016. Council budgets to undertake the survey biennially as it considers this the most efficient and cost-effective method. Council could undertake the survey every year but this would result in an increased cost.

## PROGRAMME OF WORKS - ROADING 2016/17

Street	Start	Finish	Activity	Status 2016/17 Annual Plan	Progress to 30 June 2017
Anne Street	Filleul Street	Fulton Street	Chipseal	Planned	Completed
Arthur Street	Philip Street	Dee Street	Chipseal	Planned	Completed
Avon Road	Bain Street	Chesney Street	Rehabilitation	Planned	Completed
Bainfield Road	North Road	Queens Drive	Asphalt	Planned	Completed
Balmoral Drive	Elles Road	Clyde Street	Chipseal	Planned	Completed
Bandon Street	Bann Street	Budd Street	Chipseal	Planned	Planned
Bond Street	Clyde Street	Crinan Street	Rehabilitation	Planned	Completed
Burrows Street	Marine Parade	Elizabeth Street	Chipseal	Planned	Planned
Carlyle Street	Tay Street	West Street	Chipseal	Planned	Completed
Dunns Road	Marama Avenue	Oreti River Bridge	Chipseal	Planned	Deferred
Dunns Road	Oreti River Bridge	Oreti Beach	Chipseal	Planned	Completed
Filleul Street	Philip Street	Dee Street	Chipseal	Planned	Completed
Foreshore Road	Shannon Street	Old Wharf Approach	Chipseal	Planned	Completed
Fulton Street	Philip Street	Dee Street	Chipseal	Planned	Completed
Gore Street	Suir Street	Gore Street	Chipseal	Planned	Planned
Gorge Road Invercargill Hghwy	Murphy Road	Kennington-Waimatua Road	Chipseal	Planned	Completed
Hensley Street	Philip Street	Dee Street	Chipseal	Planned	Completed

Street	Start	Finish	Activity	Status 2016/17 Annual Plan	Progress to 30 June 2017
Louisa Street	Philip Street	Dee Street	Chipseal	Planned	Planned
MacQuarrie Street	Elles Road	Brown Street	Chipseal	Planned	Planned
McLew Road	McLew Road	Rimu Road	Chipseal	Planned	Planned
Mill Road North	Bainfield Road	Findlay Road	Rehabilitation	Planned	Completed
Moore Road	North Road	Steele Road	Chipseal	Planned	Completed
Moray Crescent	Bay Road	Moray Crescent	Chipseal	Planned	Deferred
Myross Road	Roslyn Bush Road	Mill Road North	Chipseal	Planned	Completed
Nevis Crescent	Moray Crescent	Nevis Crescent	Chipseal	Planned	Deferred
Racecourse Road	Herbert Street	St Andrew Street	Chipseal	Planned	Planned
Regent Street	Tramway Road	Lauder Crescent North	Rehabilitation	Planned	Completed
Rockdale Road	Centre Street	Tramway Road	Chipseal	Planned	Completed
Rons Place	Foreshore Road	Rons Place	Chipseal	Planned	Completed
Thames Street	Liffey Street	Philip Street	Chipseal	Planned	Completed
Tweed St Elles Road	Roundabout		Asphalt	Planned	Completed
Tweed Street	Elles Road	Ythan Street	Rehabilitation	Planned	Completed
Watt Road	Grant Road	Black Road	Chipseal	Planned	Completed





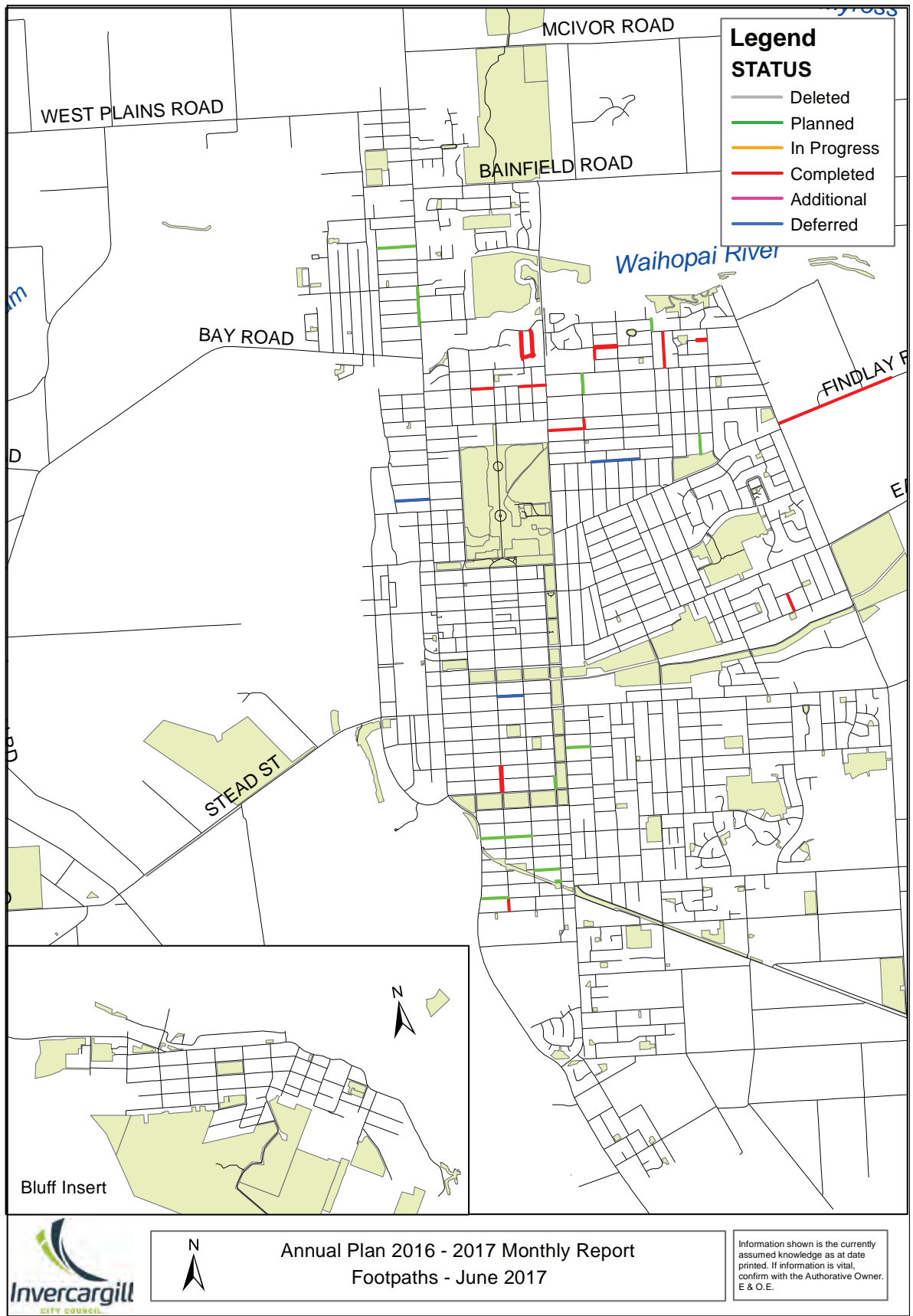
## PROGRAMME OF WORKS - FOOTPATHS 2016/17

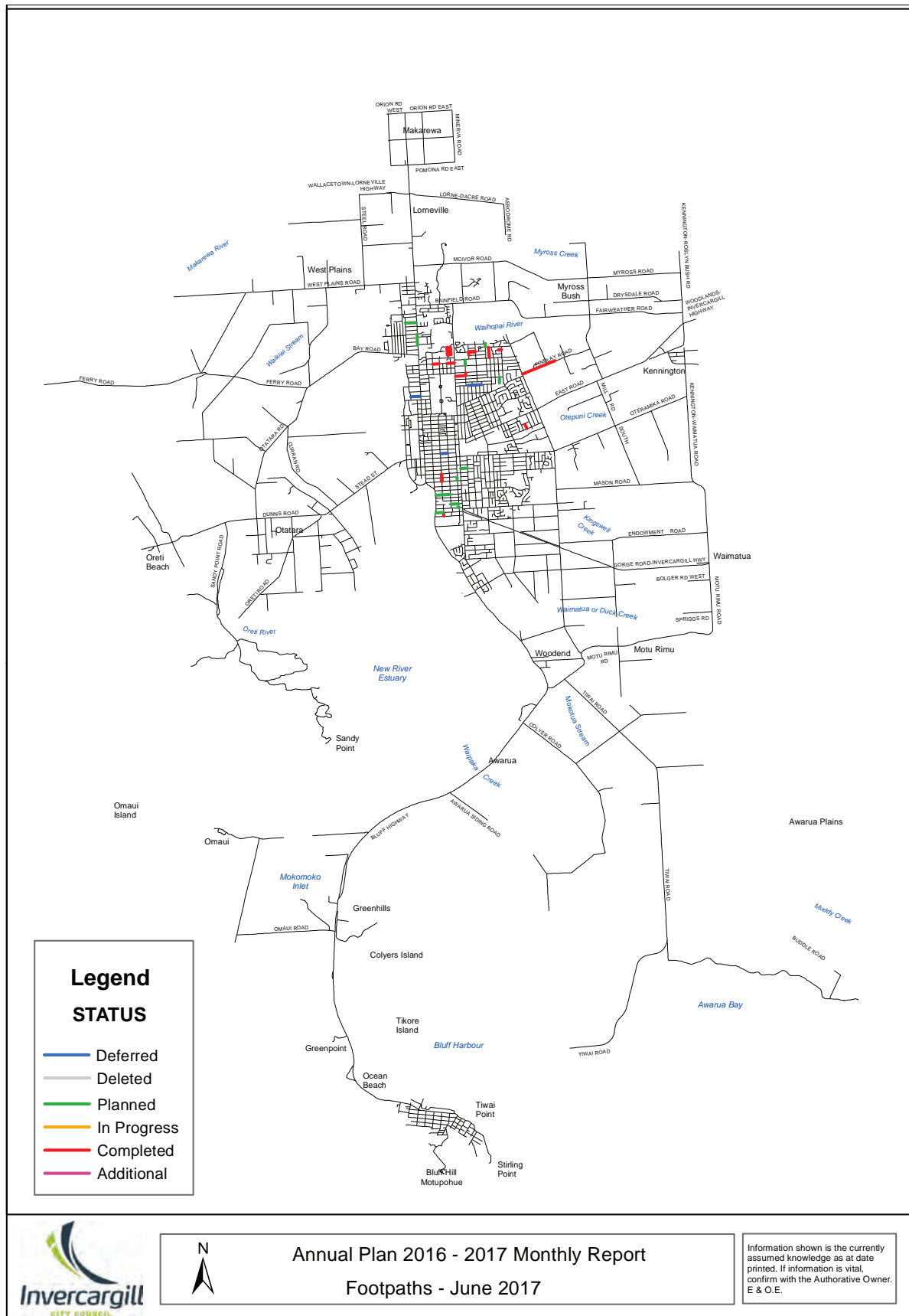
Street	Start	Finish	Activity	Status 2016/17 Annual Plan	Progress to 30 June 2017
Bowmont Street	Elles Road	Princes Street	Concrete		Planned
Catherine Street	Queens Drive	Windsor Street	Concrete		Completed
Conon Street	Balmoral Drive	Crinan Street	Concrete		Completed
Conon Street	Balmoral Drive	Crinan Street	Concrete		Completed
Conon Street	Elizabeth Street	O'Hara Street	Concrete		Completed
Duke Street	Queens Drive	Ramrig Street	Concrete		Completed
Duke Street	Grey Street	Park Street	Concrete		Completed
Elm Crescent	Montrose Street	No 7	Concrete		Completed
Elm Crescent	Montrose Street	Gladstone Terrace	Concrete		Completed
Eye Street	Conon Street	Ythan Street	Asphalt		Deferred
Findlay Road	End of K&C	Bethunes Lane	Concrete		Completed
Janet Street	Bluff Road	Ythan Street	Concrete		Planned
Joseph Street	End	George Street	Concrete		Planned
King Street	Antrim Street	Ure Street	Concrete		Deferred
Kowhai Street	Layard Street	Lamond Street	Concrete		Completed
Lowe Street	Philip Street	Dee Street	Concrete		Deferred
Majorie Street	West Street	Fairview Avenue	Concrete		Completed
Manse Street	Ness Street	End	Concrete		Planned

Street	Start	Finish	Activity	Status 2016/17 Annual Plan	Progress to 30 June 2017
Montrose Street	No 3	Gladstone Terrace	Concrete		Completed
Montrose Street	No 12	Gladstone Terrace	Concrete		Completed
Ness Street	Balmoral Drive	Earn Street	Concrete		Planned
North Road	Dudley Street	Galway Street	Asphalt		Planned
O'Hara Street	Bluff Highway	Conon Street	Concrete		Planned
Panton Street	Ythan Street	Ness Street	Concrete		Planned
Pine Crescent	Ward Street	22 Pine Crescent	Concrete		Completed
Pine Crescent	Ward Street	22 Pine Crescent	Concrete		Completed
Price Street	Ross Street	North Road	Concrete		Planned
Queens Drive	Bridge	Gimblett Street	Resurfacing		In Progress
Salford Street	Cruickshank Crescent	Moana Street	Concrete		Planned
Terrace Street	Waihopai Street	Wilton Street	Concrete		Completed
Terrace Street	Waihopai Street	Wilton Street	Concrete		Completed
Waihopai Street	High Street	Terrace Street	Concrete		Completed
Windsor Street	Catherine Street	Herbert Street	Asphalt		Completed
Windsor Street	Chelmsford Street	Layard Street	Concrete		Planned

A number of footpaths planned for the 2016/17 year will not be completed this financial year. This result has been signalled earlier in the year and is a result of contractual issues during the year causing delays.







## CAPITAL WORKS PROJECTS

Capital works having a value exceeding \$400,000 in 2016/17 were:

Project	2016/17 Proposed \$000	2016/17 Actual \$000
Road surface renewals and rehabilitation.	3,540	3,471
Footpath renewals and rehabilitation.	1,347	520
Kerb and channel and culvert replacement.	703	893
Street lighting.	733	43

The footpath renewal work performed very poorly during the year due to the contractor having a difficult and slow startup phase. Additionally poor construction weather through the mid period caused further delays. The contractor has continued the better finish to the year.

Additional kerb and channel was installed as part of the renewal works.

Street lighting did not progress as planned during the year due to the unavailability of design staff and the changes in the LED approach to street lighting. NZTA has also offered a better FAR (Funding Assistance Rate) for LED renewals and not having completed the work offers the chance to get a better contribution to the lighting.

## FUNDING IMPACT STATEMENT - ROADING

	Long Term Plan 2012 - 2022	Long Term Plan 2015 - 2025	Actual
	2015/16 \$'000	2016/17 \$'000	2016/17 \$'000
<b>SOURCES OF OPERATIONAL FUNDING</b>			
General rates, uniform annual general charges, rates penalties	372	387	386
Targeted rates	7,794	7,874	7,729
Subsidies and grants for operating purposes	2,051	2,072	2,539
Fees and charges	260	295	362
Internal charges and overheads recovered	258	278	258
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	897	918	863
<b>Total operating funding (A)</b>	<b>11,632</b>	<b>11,824</b>	<b>12,137</b>
<b>APPLICATIONS OF OPERATIONAL FUNDING</b>			
Payments to staff and suppliers	6,375	6,501	6,179
Finance costs	283	256	138
Internal charges and overheads applied	258	278	258
Other operating funding applications	-	-	-
<b>Total applications of operational funding (B)</b>	<b>6,916</b>	<b>7,035</b>	<b>6,575</b>
<b>Surplus (deficit) of operational funding (A-B)</b>	<b>4,716</b>	<b>4,789</b>	<b>5,562</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	3,651	3,601	2,815
Development and financial contributions	-	-	-
Increase (decrease) in debt	(337)	(708)	(1,251)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>3,314</b>	<b>2,893</b>	<b>1,564</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	156	41	-
- to improve the level of service	890	932	15
- to replace existing assets	6,931	6,674	5,413
Increase (decrease) in reserves	53	35	1,698
Increase (decrease) in investments	-	-	-
<b>Total application of capital funding (D)</b>	<b>8,030</b>	<b>7,682</b>	<b>7,126</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(4,716)</b>	<b>(4,789)</b>	<b>(5,562)</b>
<b>FUNDING BALANCE ( (A-B) + (C-D) )</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation expense (not included in the above FIS)	10,161	11,231	10,981

## FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2016/17 budgets prepared as part of the 2015 - 2025 Long-Term Plan. Council's intentions and priorities have changed since these initial budgets, and these changes have been consulted on as part of the development of the 2016/17 Annual Plan.

# Sewerage



## WHAT WE HAVE DONE

The Sewerage Activity provided a network of pipes, pumping stations and treatment plants for the collection, treatment and disposal of sewage

to protect public health, support city growth and contribute to the general well-being of the community.

Community Outcome	Council's Role	How the Activity Contributes	Customer Level of Service	Measure of Service
Healthy lifestyle in a healthy environment.	Provide or ensure provision of services that include a quality water supply and reliable effective sanitation.	The sewerage network efficiently removes sewage from urban areas for treatment.	Low levels of interruption from the sewerage network.	Service disruptions for individual property are less than 12 hours.
				System adequacy.
				Customer satisfaction.
				Fault response times.
		Sewage is treated and discharged in a manner that minimises health risks.	Receiving waters are not adversely affected by effluent discharges.	Comply with effluent quality standards as defined in current discharge consents for Clifton and Bluff facilities.
				Discharge compliance.
A diverse and growing economy.	Ensure that the building blocks for sustainable business are in place.	Acceptance of tradewaste effluent compliant with Tradewaste Bylaw.	Applications for tradewaste discharges are processed efficiently.	Tradewaste consent applications are responded to within 10 working days.

## HOW DID WE MEASURE UP

Measure	Target 2016/17	Result 2016/17
Service disruptions for individual properties are less than 12 hours.	100%	Not Achieved - 86% (2015/16: Not Achieved - 87.5%)
Compliance with effluent quality standards are defined in current discharge consents for Clifton and Bluff facilities.	100%	Achieved - 100% (2015/16: Achieved - 100%)
Trade waste consent applications are responded to in ten working days.	80%	Achieved - 100% (2015/16: Achieved - 100%)

National Non Financial – Performance Measure	Target 2016/17	Result 2016/17
<b>System and Adequacy</b> The number of dry weather sewerage overflows from the Invercargill City Council's sewerage system, expressed per 1,000 sewerage connections to that sewerage system.	< 4 blockages per 1,000 properties annually.	Achieved - 0.77 (2015/16: Achieved - 0.40 blockages per 1000)
<b>Discharge Compliance</b> Compliance with the Council's resource consents for discharge from its sewerage system measured by the number of: <ul style="list-style-type: none"> <li>• Abatement notices</li> <li>• Infringement notices</li> <li>• Enforcement orders</li> <li>• Convictions received by Council in relation to those resource consents.</li> </ul>	100% compliance.  No abatement notices, enforcement orders or convictions are recorded against Council in relation to its resource consents in any one year.	Achieved - 100% compliance  (2015/16: Achieved)
<b>Customer Satisfaction</b> The total number of complaints received by Council about any of the following: <ul style="list-style-type: none"> <li>• Sewage odour</li> <li>• Sewerage system faults</li> <li>• Sewerage system blockages</li> </ul> The Council's response to issues with its sewerage system, expressed per 1,000 connections to Council's sewerage system.	Sewerage odour - zero complaints per year.  Sewerage system faults and blockages - < 4 blockages per 1,000 connections per year.	Achieved - zero complaints  Achieved - 2.91 blockages per 1,000 connections  (2015/16: Not Achieved - 0.05 complaints per 1,000 connections) (2015/16: Achieved - 1.02 blockages per 1,000 connections)

National Non Financial – Performance Measure	Target 2016/17	Result 2016/17
<p><b>Fault Response Times</b></p> <p>Where the Council attends to sewerage overflows resulting from a blockage or other fault in the Council's sewerage system, the following median response times measured:</p> <ul style="list-style-type: none"> <li>• Attendance time - from the time that Council receives notification to the time that service personnel reach the site; and</li> <li>• Resolution time - from the time that Council receives notification to the time that service personnel confirm resolution of the blockage or other fault.</li> </ul>	<p>Service personnel reach site within one hour for emergency work and four hours for urgent events (90% compliance).</p> <p>Temporary repair completed within six hours for emergency events and 24 hours for urgent events (90% compliance).</p>	<p>Not Achieved - 88% Median response time is 30 minutes for Emergency and 1 hour 4 minutes for Urgent.</p> <p>Achieved - 93% Median resolution time is 1 hour 46 minutes for Emergency and 2 hours 25 minutes for Urgent.</p> <p>(Response 2015/16: Not Achieved - Emergency 88% within one hour</p> <p>Achieved - Urgent - 93% within four hours)</p> <p>(Repair 2015/16: Achieved - Emergency 92% within six hours</p> <p>Achieved - Urgent 94% within 24 hours)</p>

## THE DETAILS

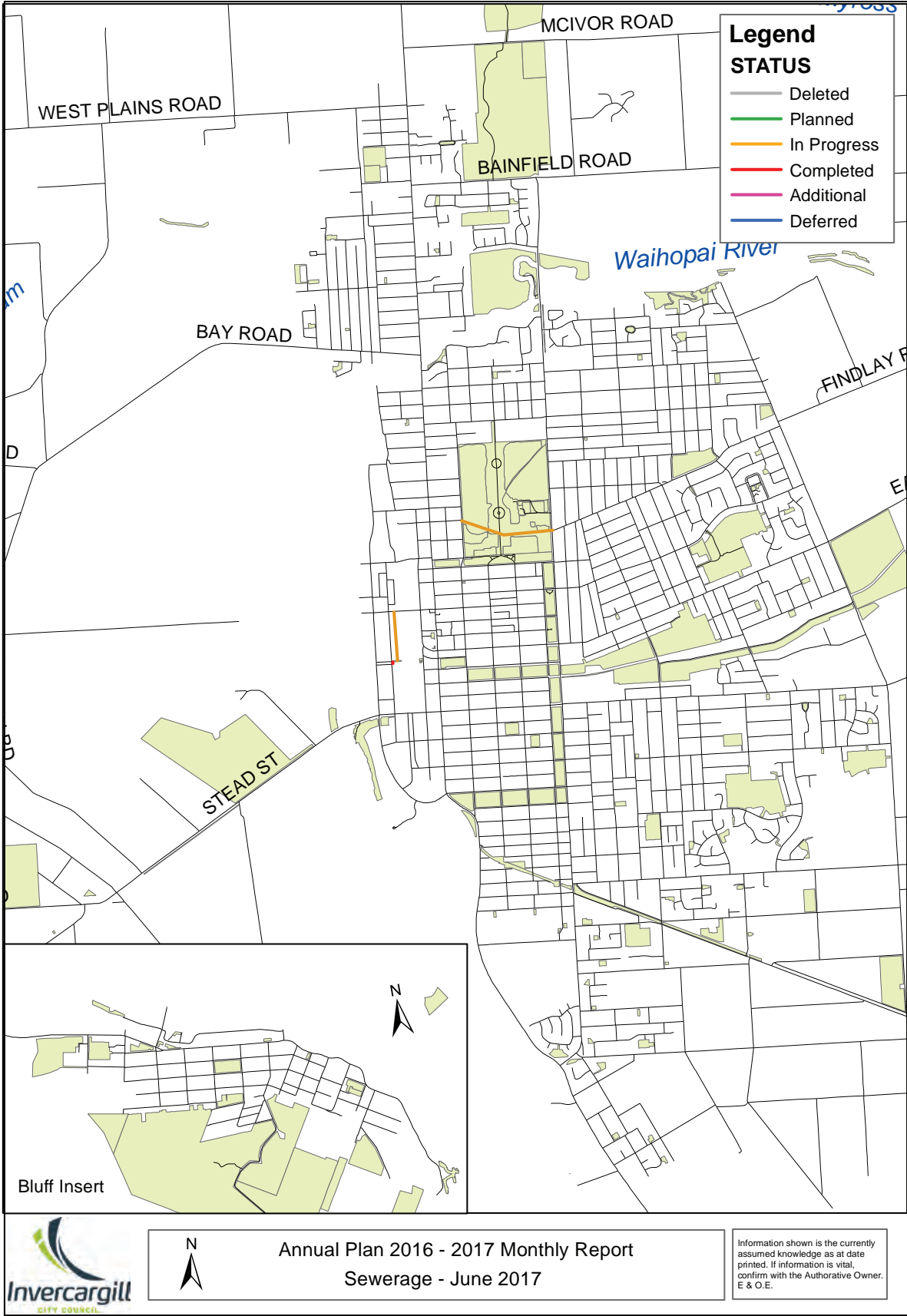
Targets for response time to urgent faults on the sewerage network, and for maximum time of service disruption to individual properties were not met, due to failure of the contractor. Of 65 requests for service to sewerage service disruptions, 56 (88%) were resolved within 12 hours. The median response time was 2 hours 2 minutes. Of 84 emergency attendances to sewerage faults, 69 (82%) were attended within the target time of 1 hour. The median response time was 30 minutes.

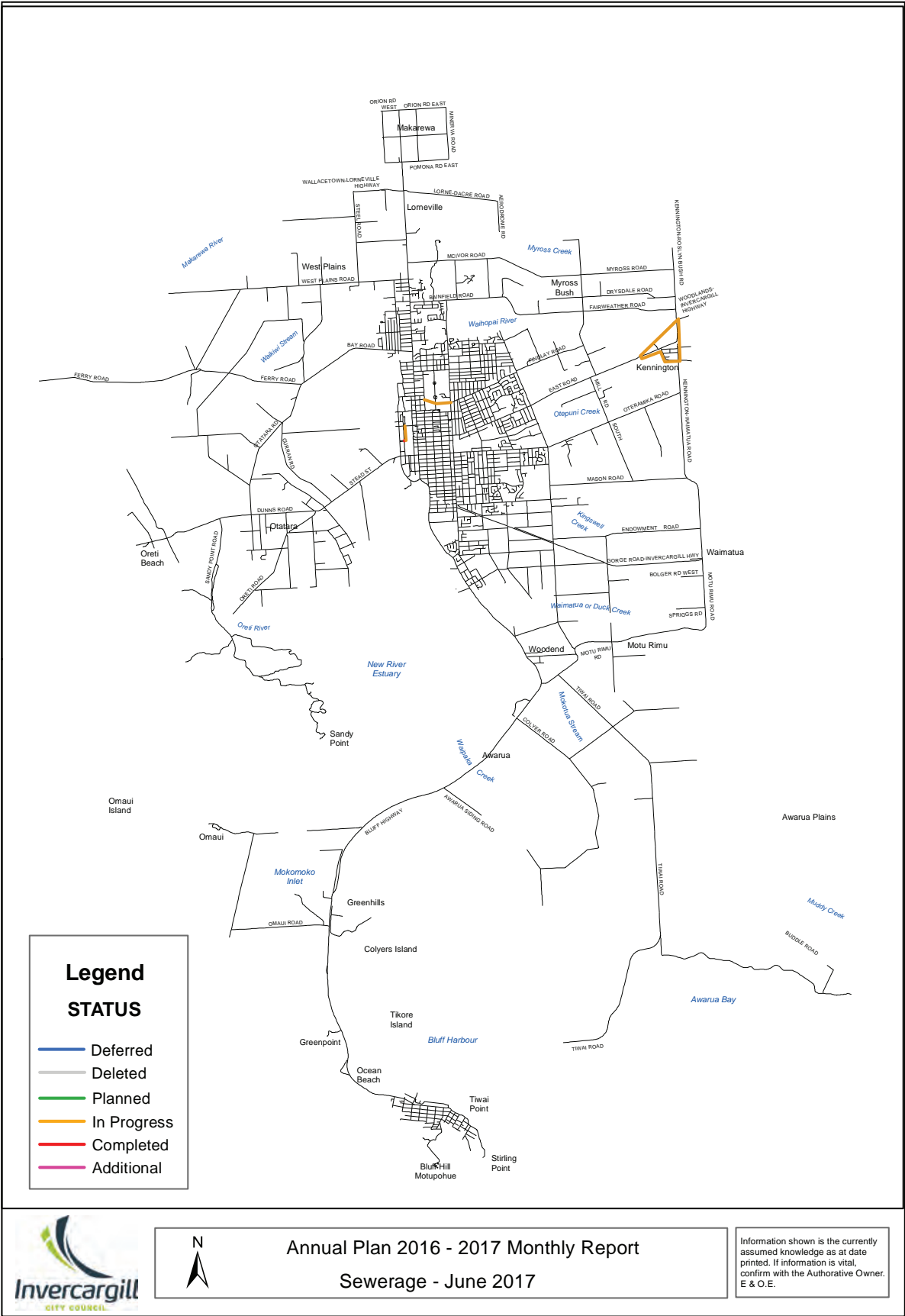
## PROGRAMME OF PIPEWORKS - SEWERAGE 2016/17

Street	Start	Finish	Activity	Status 2016/17 Annual Plan	Progress to 30 June 2017
Kennington Area	Kennington Area		Growth		In Progress
Mersey Steet	Otepuni Stream	Spey Street	Relining		In Progress
Mersey Street	Otepuni Bridge	Otepuni Bridge	Renewal		Completed
Queens Park	Queens Drive	Kelvin Street	Renewal		In Progress

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## CAPITAL WORKS PROJECTS

Capital works having a value exceeding \$200,000 in 2016/17 were:

Project	2016/17 Proposed \$000	2016/17 Actual \$000
Pipe Asset Renewals.	1,238	1,778
Treatment Plant Asset Renewals.	236	745
Kennington Sewerage Scheme	-	750

Treatment Plant Asset renewal work was partially funded by carry forwards from the 2015/16 financial year.

The Kennington Sewerage Scheme was completed in the 2016/17 year, with funding carried forward from the 2015/16 financial year.

## FUNDING IMPACT STATEMENT - SEWERAGE

	Long Term Plan 2012 - 2022 2015/16 \$'000	Long Term Plan 2015 - 2025 2016/17 \$'000	Actual 2016/17 \$'000
<b>SOURCES OF OPERATIONAL FUNDING</b>			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	5,039	5,173	4,836
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overheads recovered	-	-	-
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	970	615	695
<b>Total operating funding (A)</b>	<b>6,009</b>	<b>5,788</b>	<b>5,531</b>
<b>APPLICATIONS OF OPERATIONAL FUNDING</b>			
Payments to staff and suppliers	2,978	3,051	2,629
Finance costs	363	456	210
Internal charges and overheads applied	-	-	-
Other operating funding applications	-	-	-
<b>Total applications of operational funding (B)</b>	<b>3,341</b>	<b>3,507</b>	<b>2,839</b>
<b>Surplus (deficit) of operational funding (A-B)</b>	<b>2,668</b>	<b>2,281</b>	<b>2,692</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	1,688	(732)	(494)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>1,688</b>	<b>(732)</b>	<b>(494)</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	1,000	-	-
- to improve the level of service	594	-	-
- to replace existing assets	2,762	1,549	2,548
Increase (decrease) in reserves	-	-	(350)
Increase (decrease) in investments	-	-	-
<b>Total application of capital funding (D)</b>	<b>4,356</b>	<b>1,549</b>	<b>2,198</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(2,668)</b>	<b>(2,281)</b>	<b>(2,692)</b>
<b>FUNDING BALANCE ( (A-B) + (C-D) )</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation expense (not included in the above FIS)	2,305	2,432	2,365

## FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2016/17 budgets prepared as part of the 2015 - 2025 Long-Term Plan. Council's intentions and priorities have changed since these initial budgets, and these changes have been consulted on as part of the development of the 2016/17 Annual Plan.

# Solid Waste Management



## WHAT WE HAVE DONE

The Solid Waste Activity, through WasteNet Southland, assisted in the disposal of solid waste in a way that protects the health of the community and the environment. This was achieved by the provision

of solid waste facilities for the collection and disposal of recycling and rubbish and the delivery of waste minimisation education in Southland.

## WHAT WE AGREED WITH THE COMMUNITY

Community Outcome	Council's Role	How the Activity Contributes	Customer Level of Service	Measure of Service
Healthy lifestyle in a healthy environment.	Provide or ensure provision of services that include a quality water supply and reliable, effective sanitation.	Provision of solid waste facilities for the collection and disposal of recycling and rubbish.	Ensure regular kerbside collection services.	Comparing trends in recycling and rubbish tonnages. <ul style="list-style-type: none"> <li>▪ Kerbside recycling.</li> <li>▪ Kerbside rubbish</li> <li>▪ Solid waste to landfill.</li> <li>▪ Recycling to material recovery facility.</li> </ul>
			Appropriate operating hours for facilities.	
			Encourage waste minimisation.	
Strong, innovative leadership.	Actively seek efficiencies through innovation, shared services and streamlining processes.	Collaboration with other local territorial authorities for the coordinated delivery of waste management and minimisation in Southland.	Operation of WasteNet Southland as a shared service for the benefit of Southland.	WasteNet Southland produces an Action Plan.

## HOW DID WE MEASURE UP

Measure	2016/17 Target	2016/17 Result
Increasing trend in kerbside recycling.	Increasing trend.	Not Achieved - 3,312 tonnes - 5% decrease. (2015/16: Not Achieved - 3,483 tonnes - 3% decrease)
Decreasing trend in kerbside rubbish.	Decreasing trend.	Achieved - 10,649 tonnes. (2015/16: Not Achieved - 10,667 - 4% increase)
Decreasing trend in solid waste to landfill.	Decreasing trend.	Achieved - 20,073 tonnes. (2015/16: Achieved - 21,329 - 6% decrease)
Increasing trend in diverted material.	Increasing trend.	Achieved - 8,950 tonnes. (2015/16: 8,941 tonnes)
Maintain a regional materials discarded rate of 650 kg disposed per person.	Maintain this level.	Not Achieved - 678 kgs (2015/16: Not Achieved - 653 kg)

## THE DETAILS

It has been business as usual for the solid waste services (Kerbside collections, Transfer stations, CBD & street litter-bin collections).

A significant challenge this year has been the high level of contamination in the yellow recycling bins.

In collaboration with WasteNet Southland a visual bin inspection programme has been established, and implementation of the Kerbside recycling and rubbish collection policy which allows for enforcement notices and removal of recycling services.

## WHAT ELSE HAVE WE DONE

In collaboration with WasteNet Southland, the Council has undertaken four educational and behavioural change campaigns this year, with the intention to encourage residents that waste is a resource and to take action to improve the use of this resource:

- Clean Up Week 2016
  - An information campaign was run and encouraged people to clean up, groups that did so were rewarded with free disposal.
- Recycle Week 2016
  - A campaign was run called 'the Dirty Dozen' which focused on 12 common mistakes that participants of the kerbside recycling programme make; the intention of this campaign was for participants to identify contamination.
- Waste Awareness Week 2017
  - This was an educational campaign where workshops discussing waste-free living were held, this was attended by 120 people.
- Love Food Hate Waste 2017
  - This was a series of workshops where 180 people attended with the action to inspire and enable people to reduce food waste.

## FUNDING IMPACT STATEMENT - SOLID WASTE MANAGEMENT

	Long Term Plan 2012 - 2022	Long Term Plan 2015 - 2025	Actual
	2015/16 \$'000	2016/17 \$'000	2016/17 \$'000
<b>SOURCES OF OPERATIONAL FUNDING</b>			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	3,839	3,933	4,162
Subsidies and grants for operating purposes	-	-	-
Fees and charges	2,630	2,694	2,146
Internal charges and overheads recovered	1,518	1,555	1,609
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	80	82	36
<b>Total operating funding (A)</b>	<b>8,067</b>	<b>8,264</b>	<b>7,953</b>
<b>APPLICATIONS OF OPERATIONAL FUNDING</b>			
Payments to staff and suppliers	6,449	6,607	6,703
Finance costs	-	-	-
Internal charges and overheads applied	1,518	1,555	1,609
Other operating funding applications	-	-	-
<b>Total applications of operational funding (B)</b>	<b>7,967</b>	<b>8,162</b>	<b>8,312</b>
<b>Surplus (deficit) of operational funding (A-B)</b>	<b>100</b>	<b>102</b>	<b>(359)</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	100	102	2
Increase (decrease) in reserves	-	-	(361)
Increase (decrease) in investments	-	-	-
<b>Total application of capital funding (D)</b>	<b>100</b>	<b>102</b>	<b>(359)</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(100)</b>	<b>(102)</b>	<b>359</b>
<b>FUNDING BALANCE ( (A-B) + (C-D) )</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation expense (not included in the above FIS)	328	337	375

## FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2016/17 budgets prepared as part of the 2015 - 2025 Long-Term Plan. Council's intentions and priorities have changed since these initial budgets, and these changes have been consulted on as part of the development of the 2016/17 Annual Plan.



# Stormwater



## WHAT WE HAVE DONE

The Stormwater Activity provided the removal of stormwater from residential, industrial and

commercial properties reducing the risk of property damage due to flooding.

## WHAT WE AGREED WITH THE COMMUNITY

Community Outcome	Council's Role	How the Activity Contributes	Customer Level of Service	Measure of Service
Healthy lifestyle in a healthy environment.	Provide or ensure provision of services that include a quality water supply and reliable effective sanitation.	The stormwater network reduces the impact of flooding on the building environment.	Low levels of stormwater ponding on roads during rainfall events.	Complaints of stormwater blockage are responded to within one hour.
				Response times.
				Customer satisfaction.
		Provide a quick and effective response to potential environmental hazards or nuisance.	Reliable removal of stormwater where there are Council managed networks.	No flooding in living areas of houses during a five year return period storm.
				System adequacy.
				Discharge compliance.

## HOW DID WE MEASURE UP

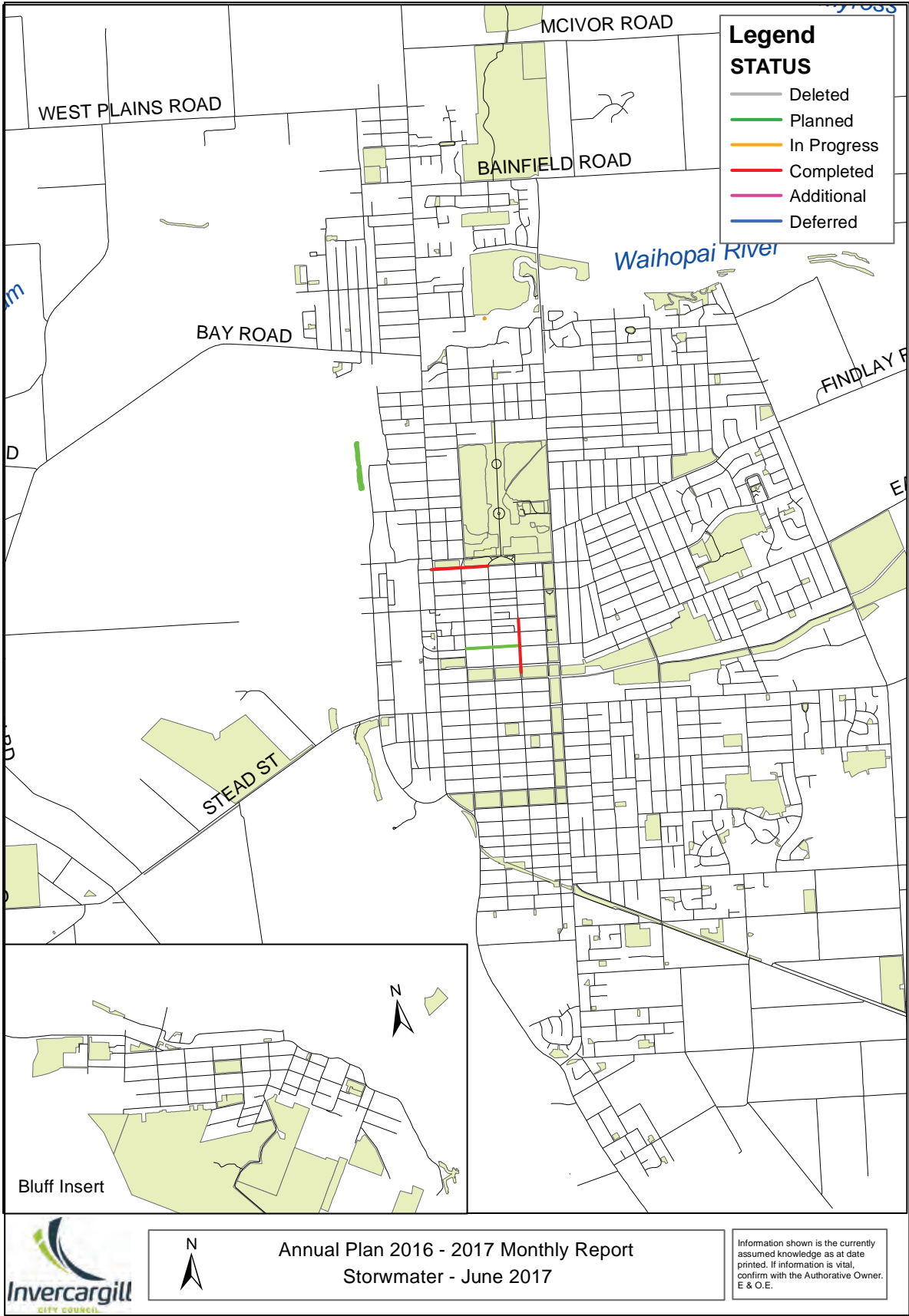
Measure	2016/17 Target	2016/17 Result
Complaints of stormwater blockage responded to within one hour.	90%	Not Achieved - 75% (2015/16: Achieved - 91.76%)
No flooding in living areas of houses during a five year return period storm.	No houses flooded.	Achieved - 0 (2015/16: Achieved - 0)
National Non Financial – Performance Measure	2016/17 Target	2016/17 Result
<b>System Adequacy</b> The number of flooding events that occur in the Invercargill City district.  For each flooding event, the number of habitable floors affected (expressed per 1,000 properties) connected to Council's stormwater system.	Zero habitable floors affected per 1,000 properties during any five year return storm.	Achieved - 69 events, 0 habitable floors affected (2015/16: Achieved - 16 storms, 0 habitable floors affected.)
<b>Discharge Compliance</b> Compliance with the Council's resource consents for discharge from its stormwater system measured by the number of: <ul style="list-style-type: none"> <li>• Abatement notices</li> <li>• Infringement notices</li> <li>• Enforcement orders</li> <li>• Convictions received by Council in relation to those resource consents.</li> </ul>	100% compliance.  No abatement notices, enforcement orders or convictions are recorded against Council in relation to its resource consents in any one year.	Achieved - 0 notices received, 100% compliance. (2015/16: Achieved - 100% compliance)
<b>Response Times</b> The median response time to attend a flooding event, measured from the time that Council received notification to the time that service personnel reach the site.	Median response time to emergency events - one hour.  Median response time to urgent events - four hours.	Achieved Emergency median time: 6 minutes Urgent median time: 1 hour and 15 minutes (2015/16: Achieved - Emergency 26 minutes; Urgent 1 hour and 4 minutes)
<b>Customer Satisfaction</b> The number of complaints received by Council about the performance of its stormwater system, expressed per 1,000 properties connected to the Council's stormwater system.	< 4 complaints per 1,000 properties per annum.	Achieved - 0.82 (2015/16: Achieved - 1.72)

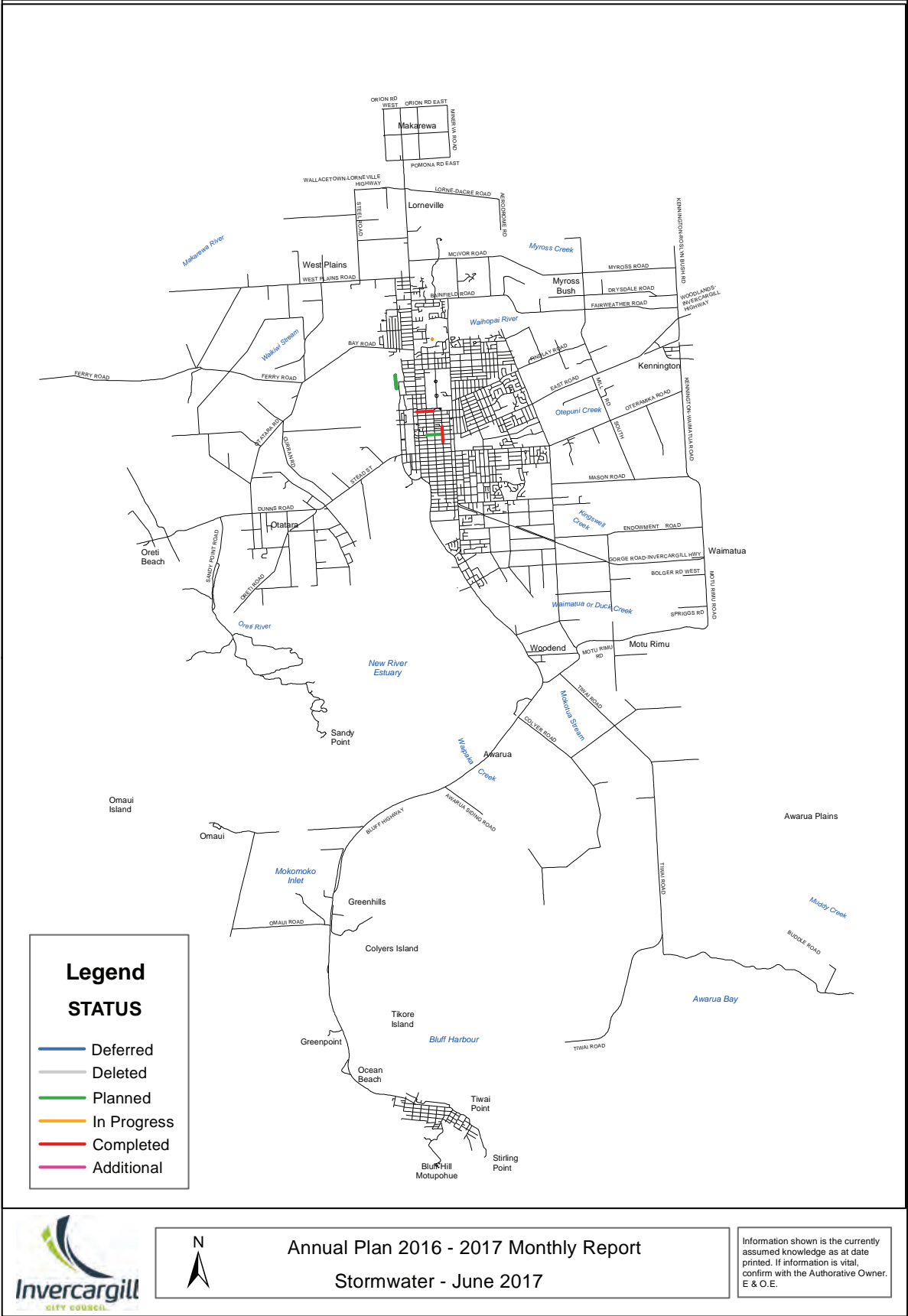
## PROGRAMME OF PIPEWORKS - STORMWATER 2016/17

The renewal/upgrading programme continued in 2016/17, including capacity upgrades to current design standards.

### STORMWATER - 2016/17

Street	Start	Finish	Activity	Status 2016/17 Annual Plan	Progress to 30 June 2017
Beatrice Street			SW Treatment Pond		Planned
Gala Street	Dee Street	Deveron Street	Renewal		Completed
Jed/Ythan Street	Otepuni Stream	Don Street	Upgrade		Completed
Prestonville SWPS			Pump Replacement (3)		In Progress
Tay Street	Kelvin Street	Jed Street	Renewal		Planned





**CAPITAL WORKS PROJECTS**

The capital works having a value exceeding \$200,000 in 2016/17 were:

Project	2016/17 Proposed \$000	2016/17 Actual \$000
Stormwater Pipe Asset Renewal/Upgrade.	1,513	2,208
Stormwater Pump Renewal.	205	208

Stormwater pipe asset renewal work was partially funded by carry forwards from the 2015/16 financial year.

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## FUNDING IMPACT STATEMENT - STORMWATER

	Long Term Plan 2012 - 2022	Long Term Plan 2015 - 2025	Actual
	2015/16 \$'000	2016/17 \$'000	2016/17 \$'000
<b>SOURCES OF OPERATIONAL FUNDING</b>			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	3,101	3,140	3,384
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	4
Internal charges and overheads recovered	-	-	-
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	102
<b>Total operating funding (A)</b>	<b>3,101</b>	<b>3,140</b>	<b>3,490</b>
<b>APPLICATIONS OF OPERATIONAL FUNDING</b>			
Payments to staff and suppliers	1,217	1,247	1,451
Finance costs	31	29	29
Internal charges and overheads applied	-	-	-
Other operating funding applications	-	-	-
<b>Total applications of operational funding (B)</b>	<b>1,248</b>	<b>1,276</b>	<b>1,480</b>
<b>Surplus (deficit) of operational funding (A-B)</b>	<b>1,853</b>	<b>1,864</b>	<b>2,010</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(15)	(16)	128
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(15)</b>	<b>(16)</b>	<b>128</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	118	130	211
- to replace existing assets	1,720	1,718	2,542
Increase (decrease) in reserves	-	-	(615)
Increase (decrease) in investments	-	-	-
<b>Total application of capital funding (D)</b>	<b>1,838</b>	<b>1,848</b>	<b>2,138</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(1,853)</b>	<b>(1,864)</b>	<b>(2,010)</b>
<b>FUNDING BALANCE ( (A-B) + (C-D) )</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation expense (not included in the above FIS)	2,183	2,283	2,265

## FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2016/17 budgets prepared as part of the 2015 - 2025 Long-Term Plan. Council's intentions and priorities have changed since these initial budgets, and these changes have been consulted on as part of the development of the 2016/17 Annual Plan.

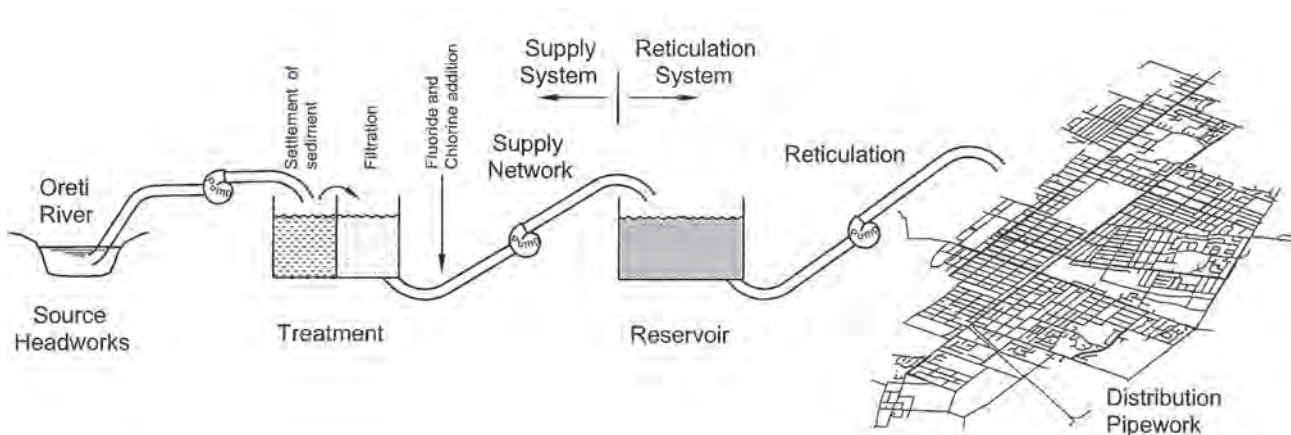


# Water Supply



## WHAT WE HAVE DONE

The Water Supply Activity supplied potable water at pressure to the boundary of each property in the Bluff and Invercargill urban areas. It did this through taking water from the Oreti River, treating it at Branhholme and piping it throughout the District. Council supplied water was also used for fire fighting via the street hydrants.





## WHAT WE AGREED WITH THE COMMUNITY

Community Outcome	Council's Role	How the Activity Contributes	Customer Level of Service	Measure of Service
Healthy lifestyle in a healthy environment.	Provide or ensure provision of services that include a quality water supply and reliable, effective sanitation.	Council provides a safe supply of water.	The water supply is safe to drink.	Ministry of Health Grade.
			The water is pleasant to drink.	Number of complaints of taste and smell.
			Reticulated properties receive a continuous supply of water.	Notification of planned shutdowns.
				Duration of break.
				Safety of Drinking Water.
				Customer Satisfaction.
A diverse and growing economy.	Ensure that the building blocks for sustainable business are in place, including energy, water, communications and work force.	Council provides a reliable water network with sufficient pressure for firefighting purposes.	There is sufficient water flow and pressure for fire-fighting purposes.	Demand management.
				Hydrants meet fire-fighting standards.
				Maintenance of the Reticulation Network.
				Fault response times.

## HOW DID WE MEASURE UP

Measure	2016/17 Target	2016/17 Result
Ministry of Health Grade.	Invercargill - Aa Bluff - Aa	Not Achieved <sup>1</sup> (2015/16: Not Achieved)
Number of complaints of taste and smell.	No more than ten per month.	Not Achieved <sup>2</sup> (2015/16: Achieved)
Notification of planned shutdowns.	At least 24 hours by letter drop.	Not Achieved <sup>3</sup> (2015/16: Not Achieved)
Duration of break.	No more than eight hours.	Not Achieved <sup>4</sup> (2015/16: Not Achieved)
Hydrants meet fire fighting standards.	At least 97.5% of hydrants tested by New Zealand Fire Service exceed 12.5 litres per second flow rate.	Achieved <sup>5</sup> (2015/16: Achieved)
National Non Financial – Performance Measure	2016/17 Target	2016/17 Result
<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>  (2015/16: (a) Achieved (b) Not Achieved)
<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> (2015/16: Achieved)
<b>Fault Response Times (Median Response)</b> (a) Attendance for urgent call outs: from the time that Council receives notification to the time that service personnel reach the site.	(a) Four hours	Achieved <sup>8(a)</sup> (2015/16: Achieved)

National Non Financial – Performance Measure	2016/17 Target	2016/17 Result
(b) Resolution of urgent call outs: from the time that the Council receives notification to the time that service personnel confirm resolution of the fault or interruption.	(b) 24 hours	Achieved <sup>8(b)</sup> (2015/16: Achieved)
(c) Attendance for non urgent call outs: from the time that Council receives notification to the time that service personnel reach the site.	(c) Five working days	Achieved <sup>8(c)</sup> (2015/16: Achieved)
(d) Resolution of non urgent call outs: from the time that the Council receives notification to the time that service personnel confirm resolution of the fault or interruption.	(d) Ten working days	Achieved <sup>8(d)</sup> (2015/16: Achieved)
<b>Customer Satisfaction</b> The total number of complaints received by Council about any of the following:	(a) No more than 0.45 per month	Not Achieved <sup>9(a)</sup> (2015/16: Achieved)
(a) Drinking water clarity		
(b) Drinking water taste	(b) No more than 0.45 per month	Not Achieved <sup>9(b)</sup> (2015/16: Achieved)
(c) Drinking water odour	(c) No more than 0.45 per month	Achieved <sup>9(c)</sup> (2015/16: Achieved)
(d) Drinking water pressure or flow	(d) No more than 0.45 per month	Achieved <sup>9(d)</sup> (2015/16: Achieved)
(e) Continuity of supply	(e) No more than 0.45 per month	Achieved <sup>9(e)</sup> (2015/16: Achieved)
(f) Council response to any of these issues  Expressed per 1,000 connections to the Council's networked reticulation system.	(f) No more than 0.45 per month  Per 1,000 connections	Achieved <sup>9(f)</sup> (2015/16: Achieved)
<b>Demand Management</b> The average consumption of drinking water per day per resident within the Invercargill City Council territorial district.	Less than 700 litres/day.	Achieved <sup>10</sup> (2015/16: Achieved - average 695 litres/day)

## THE DETAILS

### 1 - Ministry of Health Grade

The gradings remain as Invercargill Aa and Bluff Ab. The aim is to achieve an Aa grading for Bluff the same as that for Invercargill.

Bluff has historically had issues of low and fluctuating water pressure. Major upgrades have been completed which have greatly improved the pressure regime. However, there remains some works yet to reduce pressure fluctuation in residential properties at higher elevation.

### 2 - Number of Complaints of Taste and Smell

All months were compliant with the exception of March when 20 complaints for taste and smell were made. This was attributed to a rise in presence of taste and odour substances above that expected for March which the treatment system was not set up to counter. That treatment system, addition of powdered activated carbon, has been replaced by a modern ultra violet/enhanced oxidation system which is operational for the next summer.

### 3 - Notification of Planned Shutdowns

There were 230 planned shut downs of which 158 were notified in writing by issue of a water shut down notice, a success rate of 69%.

### 4 - Duration of Break

There was one instance when the water supply to the Airport was shut down overnight to allow connection of a newly installed water main serving the Airport, to the pipe network. The works were timed to avoid disruption to Airport operations. Apart from that there were no shut downs more than eight hours.

### 5 - Hydrants Meet Fire-Fighting Standards

There were 20 fire hydrants tested all of which exceeded the target. Hydrant flow testing is now difficult to undertake because of the safety requirements central around Traffic Management Plans. The Fire Service no longer carry out hydrant flow testing.

### 6 - Safety of Drinking Water - Part 5 of the Drinking Water Standard (Protozoal Compliance Criteria)

All months were compliant with the exception of October when a significant change in the Oreti River occurred where the plant was unattended. Extra testing verified that no faecal contamination occurred. The Drinking Water Assessor was informed.

### 7 - Maintenance of the Reticulation Network (% of Real Water Loss)

This year's result of 22.6% compares very closely to the five year median of 22.8%. The range over the previous five years has been 22 to 29%.

### 8 - Fault Response Times

#### (a) Attendance for Urgent Callouts

97.36% of responses throughout the year were less than the four hour maximum allowable.

#### (b) Resolution of Urgent Callouts

95.24% of resolutions throughout the year were less than the 24 hour maximum allowable.

#### (c) Attendance for Non Urgent Callouts

72.25% of responses throughout the year were less than five working days maximum allowable.

#### (d) Resolution of Non Urgent Callouts

86.11% of resolutions throughout the year were less than 10 working days maximum allowable.

### 9 - Customer Satisfaction

#### (a) Drinking Water Clarity

All months were compliant with the exception of March when on two separate occasions, trunk mains were shut down. The resultant flow reversal in the reticulation pipe network caused disturbance to sediment within pipework. There were 20 complaints received resulting in the March monthly ratio of 0.91.

**(b) Drinking Water Taste**

All months were compliant with the exception of March when 17 complaints were received achieving a ratio of 0.77. Refer to note 2 for explanation.

**(c) Drinking Water Odour**

All months were compliant. The maximum number of complaints occurred during March when three were received achieving a ratio of 0.14.

**(d) Drinking Water Pressure or Flow**

The maximum number of complaints received in any month was five occurring in March with a result ratio of 0.23.

**(e) Continuity of Supply**

The maximum number of complaints received in any month was five occurring in both March and May with a result ratio of 0.23.

**(f) Council Response to any of these Issues**

There were no complaints for any month involved.

**10 - Demand Management.**

The maximum month was April which recorded an average of 684 litres per day per resident. The lowest monthly average was June at 494 litres per person per day.

**WHAT ELSE WE HAVE DONE****Water Treatment Plant Performance**

As previously stated, the plant did not meet the New Zealand Drinking Water Standard protozoal criteria which has been the case for some years and has been the catalyst for engaging in the significant project of plant upgrade. Which has been substantially completed this year. It is expected that the next 12 months should see a substantial improvement in water quality.

**Water Demand**

The total demand for water was 8,587,859 cubic metres with a daily maximum demand at 32,673 cubic metres. In all; total, maximum and median, the demand for water is practically the same as experienced over the last five years.

**Pipe Network Maintenance Contract**

This year saw the cessation of five years of service from Veolia. Works were retendered with Downer being the successful tenderer. The new contract takes effect from 1 July 2017.

## CAPITAL WORKS PROJECTS

The capital works projects having a value exceeding \$500,000 in 2016/17 were:

Project	2016/17 Proposed \$000	2016/17 Actual \$000
Asbestos Cement Watermain Renewals.	2,599	2,271
Branxholme Treatment Plant Upgrade	11,033	10,676

## THE DETAILS

### 1 - Asbestos Cement Water Main Renewals

As listed in the Long Term Plan(LTP), Council has committed to a substantial programme of asbestos cement water main renewals ahead of that signalled in previous plans. This was made obvious by the observance of an increased incidence of failures and a condition survey which indicated that the previously assigned 65 year life was unduly optimistic. This year nine repairs were carried out on “failed” asbestos cement pipes which is less than could be expected from the condition survey and much less than the 28 failures experienced in 2014. This year marks the completion of the nominal \$2 million replacement programme before escalating to an increased annual commitment signalled in the LTP. All programmed renewals were completed. Repairs were undertaken without impacting on pipe network service levels.

The proposed budget included the carry forward from the previous year. All programmed works were completed within the budget.

### 2 - Branxholme Treatment Plant Upgrade

The upgrade works have now been substantially completed with various stages being brought “on line” throughout the year. As of the 30th June some equipment was yet to be fully commissioned. This included:

- The “forward control” coagulant dose system which has been fully operational since September 2017.
- The taste and odour treatment system while installed and operational has yet to be tested by a taste and odour event. It is anticipated that this will occur over this summer. The performance of the system is covered under the upgrade contracts one year maintenance period which expires June 2018.

Some maintenance works, included in the upgrade contract such painting of steelwork and replacement of cathodic protection have been deferred until the onset of warmer weather conditions

## PROGRAMME OF WORKS - WATER 2016/17

### PIPEWORKS

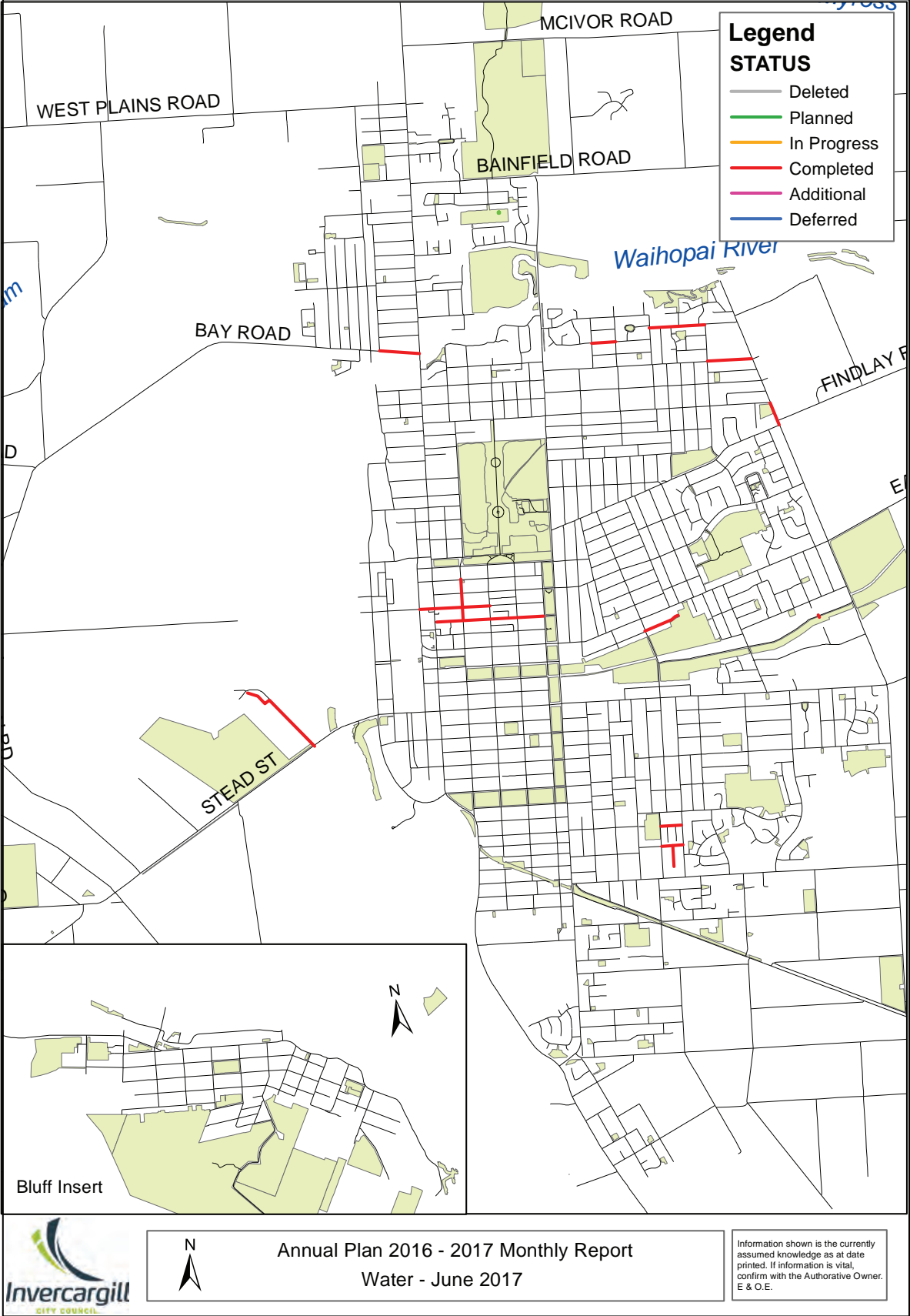
Street	Start	Finish	Activity	Status 2016/17 Annual Plan	Progress to 30 June 2017
Airport Avenue	Bond Street	Airport	Renewal		Completed
Bay Road	North Road	Ross Street	Renewal		Completed
Don Street	Dee Street	Doon Street	Renewal		Completed
Islington Street	Islington Street	Turnbull Thompson Park	Renewal		Completed
Kelvin Street	Don Street	Leet Street	Renewal		Completed
Lamond Street East	Ward Street	Salford Street	Renewal		Completed
Layard Street	Ward Street	Racecourse Road	Renewal		Completed
Manapouri Street	Murphy Street	Manapouri Street	Renewal		Completed
Monowai Street	Saturn Street	Conyers Street	Renewal		Completed
Murphey Street	Saturn Street	Conyers Street	Renewal		Completed
Otepuni Avenue	122 Otepuni Avenue	Reserve	Renewal		Completed
Racecourse Road	Herbert Street	St Andrew Street	Renewal		Completed
Spey Street	Leven Street	Deveron Street	Renewal		Completed
Terrace Street	Wilton Street	Waihopai Street	Renewal		Completed

### PUMP STATIONS

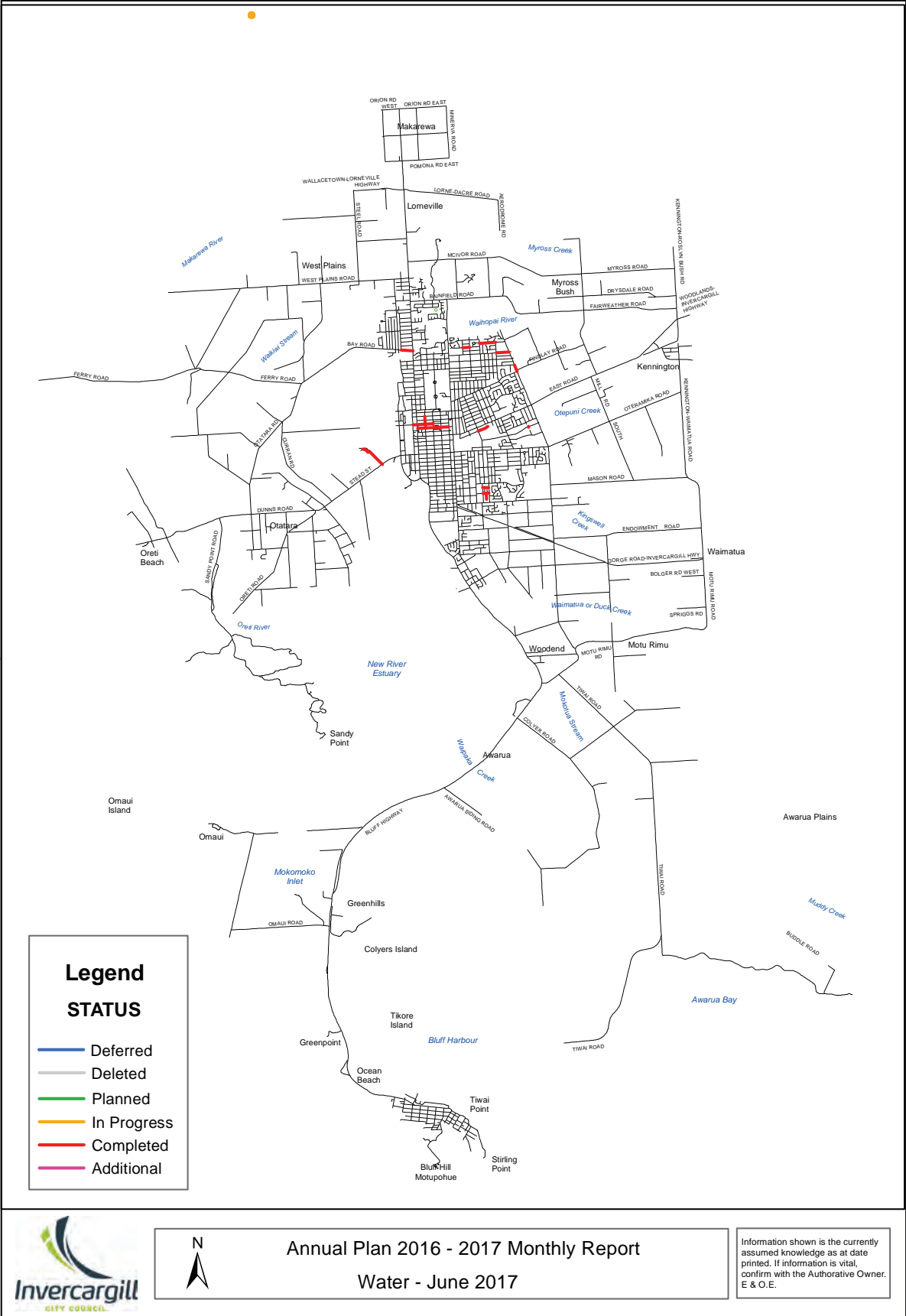
Location	Activity	Status 2016/17 Annual Plan	Progress to 30 June 2017
Waikiwi Reservoir	Pump Replacement - No.3	Carry forward	Planned

### WATER TREATMENT PLANTS

Location	Activity	Status 2016/17 Annual Plan	Progress to 30 June 2017
Branxholme Treatment Plant	Pump Replacement - B Pump	Carry forward	Planned
Branxholme Treatment Plant	Treatment upgrade	Planned	In progress







## FUNDING IMPACT STATEMENT - WATER SUPPLY

	Long Term Plan 2012 - 2022	Long Term Plan 2015 - 2025	Actual
	2015/16 \$'000	2016/17 \$'000	2016/17 \$'000
<b>SOURCES OF OPERATIONAL FUNDING</b>			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	6,461	6,732	6,374
Subsidies and grants for operating purposes	-	-	-
Fees and charges	1,147	1,246	1,317
Internal charges and overheads recovered	-	-	-
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	6
<b>Total operating funding (A)</b>	<b>7,608</b>	<b>7,978</b>	<b>7,697</b>
<b>APPLICATIONS OF OPERATIONAL FUNDING</b>			
Payments to staff and suppliers	4,089	4,282	4,513
Finance costs	622	908	515
Internal charges and overheads applied	-	-	-
Other operating funding applications	-	-	-
<b>Total applications of operational funding (B)</b>	<b>4,711</b>	<b>5,190</b>	<b>5,028</b>
<b>Surplus (deficit) of operational funding (A-B)</b>	<b>2,897</b>	<b>2,788</b>	<b>2,669</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	4,816	(613)	8,107
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>4,816</b>	<b>(613)</b>	<b>8,107</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	5,263	-	9,898
- to replace existing assets	2,235	1,975	3,116
Increase (decrease) in reserves	215	200	(2,238)
Increase (decrease) in investments	-	-	-
<b>Total application of capital funding (D)</b>	<b>7,713</b>	<b>2,175</b>	<b>10,776</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(2,897)</b>	<b>(2,788)</b>	<b>(2,669)</b>
<b>FUNDING BALANCE ( (A-B) + (C-D) )</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation expense (not included in the above FIS)	3,333	3,430	3,238

## FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2016/17 budgets prepared as part of the 2015 - 2025 Long-Term Plan. Council's intentions and priorities have changed since these initial budgets, and these changes have been consulted on as part of the development of the 2016/17 Annual Plan.

# Animal Services

## WHAT WE HAVE DONE

The Animal Control Activity provided for the control of dogs and stock and assisted to minimise the harm done by dogs. It also promoted good dog care and welfare in the community through education and raising awareness. It did this through investigating

complaints received in relation to animal behaviour; maintaining a register of dogs in the City; and by providing a facility for impounding and caring for stray and seized animals.

## WHAT WE AGREED WITH THE COMMUNITY

Community Outcome	Council's Role	How the Activity Contributes	Customer Level of Service	Measure of Service
A city that is a great place to live and visit.	Promote Invercargill actively as a great place to live, work, play and visit.	The Animal Services Activity minimises the effects of dogs on Invercargill residents' and visitors' quality of life.	The Animal Services activity encourages responsible dog ownership.	Education is undertaken relating to good animal control and care.
		Animal Services promotes good animal control and care through education and registration as well as enforcement.		
Healthy lifestyles in a healthy environment.	Provide a quick and effective response to potential environmental hazards or nuisance.	The Animal Services Activity provides 24-hour animal control services to ensure that animal related nuisances are minimised and handled in a humane manner.	The Animal Services Activity is professional and prompt, especially in instances of community safety.	Trained staff are available to respond to requests for service. All complaints are investigated and resolved within an acceptable resolution timeframe.

## HOW DID WE MEASURE UP

Measure	2016/17 Target	2016/17 Result
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)
Complaints relating to barking dogs are investigated within five days.	80% of barking dog complaints are investigated within five days.	Not Achieved - 819 complaints were received with 67% investigated within five days. (New Measure)
Notification of a dog attack is attended to immediately.	All notifications of a dog attack are responded to within thirty minutes.	Achieved. (New Measure)

## THE DETAILS

- Registrations achieved the target of a 5% increase.
- Lower registration fees are:
  - Encouraging dog owners to register. The lower cost is removing a barrier to registration.
  - Encouraging responsible status for the owner which further reduces the fee.
- Barking complaint investigations have not met our target of investigating within five days. We have implemented closer management to ensure complaints are investigated in a more timely manner.
- Dog attack response has been a priority to ensure the safety of the public.

## WHAT ELSE HAVE WE DONE

Other successful activities this period included:

- Promoted discounted microchipping. This has been a success with a high number of dog owners taking up the opportunity and as a result we have achieved increased compliance around microchipping.
- During this period we reduced our emphasis on compliance and moved into the education arena with dog safety awareness programmes being undertaken at schools, work places and childcare centres.

## FUNDING IMPACT STATEMENT - ANIMAL SERVICES

	Long Term Plan 2012 - 2022	Long Term Plan 2015 - 2025	Actual
	2015/16 \$'000	2016/17 \$'000	2016/17 \$'000
<b>SOURCES OF OPERATIONAL FUNDING</b>			
General rates, uniform annual general charges, rates penalties	248	246	268
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	651	667	725
Internal charges and overheads recovered	58	64	120
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	147	150	128
<b>Total operating funding (A)</b>	<b>1,104</b>	<b>1,127</b>	<b>1,241</b>
<b>APPLICATIONS OF OPERATIONAL FUNDING</b>			
Payments to staff and suppliers	953	976	974
Finance costs	10	9	5
Internal charges and overheads applied	58	64	120
Other operating funding applications	-	-	-
<b>Total applications of operational funding (B)</b>	<b>1,021</b>	<b>1,049</b>	<b>1,099</b>
<b>Surplus (deficit) of operational funding (A-B)</b>	<b>83</b>	<b>78</b>	<b>142</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(5)	(5)	(81)
Gross proceeds from sale of assets	18	-	15
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>13</b>	<b>(5)</b>	<b>(66)</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	3
- to replace existing assets	87	12	36
Increase (decrease) in reserves	9	61	37
Increase (decrease) in investments	-	-	-
<b>Total application of capital funding (D)</b>	<b>96</b>	<b>73</b>	<b>76</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(83)</b>	<b>(78)</b>	<b>(142)</b>
<b>FUNDING BALANCE ( (A-B) + (C-D) )</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation expense (not included in the above FIS)	43	44	41

## FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2016/17 budgets prepared as part of the 2015 - 2025 Long-Term Plan. Council's intentions and priorities have changed since these initial budgets, and these changes have been consulted on as part of the development of the 2016/17 Annual Plan.

# Building Control

## WHAT WE HAVE DONE

The Building Control Activity implemented the requirements of the Building Act fairly and impartially so that the public has confidence that buildings are constructed in accordance with the Building Code and consented buildings meet Building Code requirements.

This was achieved by providing advice and education to the community on proposed building work, by receiving and processing applications under the Building Act, and by policing the requirements of the Building Act.

## WHAT WE AGREED WITH THE COMMUNITY

Community Outcome	Council's Role	How the Activity Contributes	Customer Level of Service	Measure of Service
A City that is a great place to live and visit.	Design spaces, buildings and roads with community safety and interest in mind, and encourage others to do the same.	The Building Control Activity ensures that all buildings are of a safe and durable standard for occupation.	The Council ensures that building work is safe and in accordance with the Building Act by processing applications, inspecting work, holding records and providing information and advice.	Statutory timeframes for processing consents are met.
		The Building Control Activity promotes best practice in the building industry through education and advice.		Council's 'Building Sector News' is regularly published.
		The Building Consenting system is a quality control process covering building work.		The Building Consenting system is a quality control process covering processing of building work.

## HOW DID WE MEASURE UP

Measure	Target 2016/17	Result 2016/17
Statutory timeframes for processing consents are met.	100%	Not Achieved - 99.25% (2015/16: Not Achieved - 99.06%)
Council's 'Building Sector News' is regularly published at least 12 times per year.	Published 12 times per year.	Not Achieved - 7 articles added through the year. (2015/16: Not Achieved - 9 publications)
Accreditation as a Building Consent Authority is retained.	Accreditation is retained.	Achieved (2015/16: Achieved - Assessment report included three Corrective Action Requests which were addressed and approved by IANZ (auditors) in August 2016).

## THE DETAILS

Overall performance against the timeframes has been very good. Upon investigation we find that the breaches are caused by failure to control the clock, not actual capability to perform the tasks. Timeframe breaches have been less than the previous year.

Having stopped publication of the Building Sector

News following a survey amongst "readers", we still use the webpage to educate local people about issues affecting the Invercargill City Council, rather than educating the industry.

Accreditation was retained and we are now in the process of preparing for next year's assessment.

## FUNDING IMPACT STATEMENT - BUILDING SERVICES

	Long Term Plan 2012 - 2022	Long Term Plan 2015 - 2025	Actual
	2015/16 \$'000	2016/17 \$'000	2016/17 \$'000
<b>SOURCES OF OPERATIONAL FUNDING</b>			
General rates, uniform annual general charges, rates penalties	619	615	755
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	2,300	2,356	2,002
Internal charges and overheads recovered	-	-	-
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	110	113	9
<b>Total operating funding (A)</b>	<b>3,029</b>	<b>3,084</b>	<b>2,766</b>
<b>APPLICATIONS OF OPERATIONAL FUNDING</b>			
Payments to staff and suppliers	2,986	3,040	2,641
Finance costs	-	-	-
Internal charges and overheads applied	-	-	-
Other operating funding applications	-	-	-
<b>Total applications of operational funding (B)</b>	<b>2,986</b>	<b>3,040</b>	<b>2,641</b>
<b>Surplus (deficit) of operational funding (A-B)</b>	<b>43</b>	<b>44</b>	<b>125</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	30	20	7
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>30</b>	<b>20</b>	<b>7</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	81	52	49
Increase (decrease) in reserves	(8)	12	(118)
Increase (decrease) in investments	-	-	201
<b>Total application of capital funding (D)</b>	<b>73</b>	<b>64</b>	<b>132</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(43)</b>	<b>(44)</b>	<b>(125)</b>
<b>FUNDING BALANCE ( (A-B) + (C-D) )</b>	<b>-</b>	<b>-</b>	<b>-</b>

Depreciation expense (not included in the above FIS)	43	44	34
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## FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2016/17 budgets prepared as part of the 2015 - 2025 Long-Term Plan. Council's intentions and priorities have changed since these initial budgets, and these changes have been consulted on as part of the development of the 2016/17 Annual Plan.



# Civil Defence Emergency Management

## WHAT WE HAVE DONE

The Civil Defence Emergency Management Activity, through Emergency Management Southland provided the Civil Defence Emergency Management service. This is to ensure Council has response and recovery

plans in place in the event of an emergency affecting the District and assisting the community in being prepared for an emergency.

## WHAT WE AGREED WITH THE COMMUNITY

Community Outcome	Council's Role	How the Activity Contributes	Customer Level of Service	Measure of Service
Healthy lifestyles in a healthy environment.	Provide a quick and effective response to potential environmental hazards or nuisance.	The Activity provides the necessary resources to co-ordinate and respond to emergency events and educates the Community on how best to prepare for emergency events.	Enhancing the Community's capability to respond to and recover from civil defence emergencies.	Overall score from the Ministry of Civil Defence Emergency Management assessment of the Southland Civil Defence Emergency Management Group's capability (five yearly assessment).
			Increasing Community awareness, understanding and preparedness and participation in Civil Defence Emergency Management.	Percentage of surveyed households prepared for an emergency including self sufficiency for three days.
Strong, innovative leadership.	Actively seek efficiencies through innovation, shared services and streamlining processes.	The Activity has led to the four Southland Councils working together to create efficiencies such as the establishment of a standalone Emergency Operations Centre and more focused attention on emergency planning.	Reducing the risk from hazards to acceptable levels.	Advocacy by EMS to appropriate councils on appropriate resources and policy to mitigate effects of natural disasters.
				Facilitation and funding of the Engineering Lifelines Group.

## HOW DID WE MEASURE UP

Measure	Target 2016/17	Result 2016/17
Overall score from the Ministry of Civil Defence Emergency Management assessment of the Southland Civil Defence Emergency Management Group's capability (five yearly assessment).	75%-80% in 2016 assessment.	Not Achieved - 74.2% (2015/16: Not Achieved, 74.2%)
Percentage of surveyed households prepared for an emergency including self-sufficiency for three days.	60% by 2021.	Residents - 57% Farmers - 52% (2015/16: Achieved - 51%)

## THE DETAILS

Emergency Management Southland (EMS) is a shared service between Southland District Council, Environment Southland, Gore District Council and Invercargill City Council. It focuses on ensuring communities are prepared for emergencies and that they are able to respond to and recover from these when they do happen. Specific actions include public

education and ensuring a pool of trained personnel.

This activity has two targets. One of the targets was achieved and one was not achieved but very close to being achieved.

## WHAT ELSE HAVE WE DONE

In May 2017, the Emergency Management Group Plan 2017-2022 was approved by the Southland Civil Defence Emergency Management Group. The broad purpose of this Group Plan is to enable the effective and efficient management of those significant hazards and risks for which a co-ordinated approach will be required. The Group Plan is a strategic document that outlines our vision, goals and objectives, how we will achieve them and how we will monitor the outcomes sought by these goals.

Emergency Management Southland successfully participated in the national tsunami exercise

Tangaroa in August 2016 and several smaller exercises during the financial year.

Emergency Management Southland are leading Project AF8, which is a national workstream to develop a plan for managing the effects of a magnitude 8 earthquake on Alpine Fault and various associated stakeholder workshops.

Emergency Management Southland welcomed the appointment of Ian Cryer as an adviser, adding capability to the team.

## FUNDING IMPACT STATEMENT - CIVIL DEFENCE EMERGENCY MANAGEMENT

	Long Term Plan 2012 - 2022 2015/16 \$'000	Long Term Plan 2015 - 2025 2016/17 \$'000	Actual 2016/17 \$'000
<b>SOURCES OF OPERATIONAL FUNDING</b>			
General rates, uniform annual general charges, rates penalties	257	263	263
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overheads recovered	-	-	-
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	147	150	273
<b>Total operating funding (A)</b>	<b>404</b>	<b>413</b>	<b>536</b>
<b>APPLICATIONS OF OPERATIONAL FUNDING</b>			
Payments to staff and suppliers	404	413	534
Finance costs	-	-	-
Internal charges and overheads applied	-	-	-
Other operating funding applications	-	-	-
<b>Total applications of operational funding (B)</b>	<b>404</b>	<b>413</b>	<b>534</b>
<b>Surplus (deficit) of operational funding (A-B)</b>	<b>-</b>	<b>-</b>	<b>2</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
Increase (decrease) in reserves	-	-	2
Increase (decrease) in investments	-	-	-
<b>Total application of capital funding (D)</b>	<b>-</b>	<b>-</b>	<b>2</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>-</b>	<b>-</b>	<b>(2)</b>
<b>FUNDING BALANCE ( (A-B) + (C-D) )</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation expense (not included in the above FIS)	-	-	-

## FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2016/17 budgets prepared as part of the 2015 - 2025 Long-Term Plan. Council's intentions and priorities have changed since these initial budgets, and these changes have been consulted on as part of the development of the 2016/17 Annual Plan.

# Compliance including Parking Services

## WHAT WE HAVE DONE

The Compliance Activity managed parking enforcement services to ensure equitable parking for all and protecting pedestrians as well as responding to environmental nuisances. This was achieved by enforcing car parking in the District, monitoring

and removing vehicles left abandoned, promoting good parking behaviour, including education around schools, and providing support staff to the New Zealand Police when required.

## WHAT WE AGREED WITH THE COMMUNITY

Community Outcome	Council's Role	How the Activity Contributes	Customer Level of Service	Measure of Service
A diverse and growing economy.	Provide an environment that is business friendly and nurtures strong business.	Promotes good parking practices and enforces parking time limits to ensure regular turnover of vehicles in areas of high parking demand, for example the City Centre.	Provide and manage equitable parking access for all users.	Parking patrols of Council managed parking spaces.
A City that is a great place to live and visit.	Ensure that all projects. services consider how best they can cater for people with disabilities, the elderly, youth and families.	Promotes good parking practice, particularly around schools.	Ongoing education of drivers about safety around schools.	Educational material is distributed at schools.

## HOW DID WE MEASURE UP

Measure	Target 2016/17	Result 2016/17
Parking patrols of Council managed parking spaces.	Average 100 hours patrolling per week.	Achieved. (2015/16: Achieved - Average of 108 patrolling hours.)
Reduction in the number of infringements being sent to the 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)
Reduction in number of ticket exemptions.  (Ratio of waivers to tickets issued).	Reducing trend in the number of waivers granted.	Achieved.  6% of tickets issued were waived which is an improvement from 8.21% in the 2015/16 year.  (New Measure)

## THE DETAILS

Overall an improvement in performance has been achieved. This equates to a reduction in the loss of income that results from each waiver granted. It also means the quality of the infringements being issued is improving as they are not being challenged.

## WHAT ELSE HAVE WE DONE

Removal of abandoned vehicles from the city's streets and beach areas has increased over this period. We continue to work with the Police in an attempt to reduce the number of abandoned vehicles that become the responsibility of the Council to remove. This is causing additional unbudgeted costs on the service.

## FUNDING IMPACT STATEMENT - COMPLIANCE

	Long Term Plan 2012 - 2022 2015/16 \$'000	Long Term Plan 2015 - 2025 2016/17 \$'000	Actual 2016/17 \$'000
<b>SOURCES OF OPERATIONAL FUNDING</b>			
General rates, uniform annual general charges, rates penalties	(118)	(120)	(128)
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	85	87	224
Internal charges and overheads recovered	53	54	6
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	715	733	960
<b>Total operating funding (A)</b>	<b>735</b>	<b>754</b>	<b>1,062</b>
<b>APPLICATIONS OF OPERATIONAL FUNDING</b>			
Payments to staff and suppliers	668	686	1,049
Finance costs	-	-	-
Internal charges and overheads applied	53	54	6
Other operating funding applications	-	-	-
<b>Total applications of operational funding (B)</b>	<b>721</b>	<b>740</b>	<b>1,055</b>
<b>Surplus (deficit) of operational funding (A-B)</b>	<b>14</b>	<b>14</b>	<b>7</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	11	-	3
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>11</b>	<b>-</b>	<b>3</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	52	2	22
Increase (decrease) in reserves	(27)	12	(12)
Increase (decrease) in investments	-	-	-
<b>Total application of capital funding (D)</b>	<b>25</b>	<b>14</b>	<b>10</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(14)</b>	<b>(14)</b>	<b>(7)</b>
<b>FUNDING BALANCE ( (A-B) + (C-D) )</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation expense (not included in the above FIS)	14	14	15

## FUNDING IMPACT STATEMENT ANALYSIS

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# Environmental Health

## WHAT WE HAVE DONE

The Environmental Health Activity improved, promoted and protected public health within the District by controlling food premises and alcohol

licencing as well as providing resolution of odour, noise, litter and pest nuisances.

## WHAT WE AGREED WITH THE COMMUNITY

Community Outcome	Council's Role	How the Activity Contributes	Customer Level of Service	Measure of Service
Healthy lifestyles in a healthy environment.	Provide a quick and effective response to potential environmental hazards or nuisance.	Environmental Health provides 24 hour noise response services.	Members of the community are not subjected to inappropriate noise levels.	Excessive noise complaints are investigated and responded to within one hour.
A diverse and growing economy.	Provide an environment that is business friendly and nurtures strong business.	All food premises operating under a Food Control Plan or National Programme are inspected in accordance with statutory requirements.	Food premises are safe and healthy for the public.	All premises operating under Food Control Plans or National Programmes will be audited at least annually.
				All food premises operating under the Food Hygiene Regulations are inspected annually.

## HOW DID WE MEASURE UP

Measure	Target 2016/17	Result 2016/17
Excessive noise complaints are investigated and responded to within one hour.	95% of all noise complaints are responded to within one hour from the time of receipt.	Achieved - 96.7% (Achieved - 96.5%)
Overgrown sections are monitored in Invercargill and Bluff areas from 1 September - 31 March each year.	100% of all empty sections are audited and action taken where necessary, with a reducing trend in the number of sections having to be cleared by the Council.	122 properties were inspected with 18% being cleared by Council.  (New Measure)
Food businesses operating under a Food Control Plan are verified or audited annually.	An increasing trend in number of Food Premises operating with a Food Control Plan and 70% of businesses under this category are audited annually.	Achieved - 83.8% - new businesses  (New Measure)

## THE DETAILS

### 1 - Overgrown sections

This is the first year we have collected this data so we are unable to report on a trend for this period.

### 2 - Noise complaints

Noise complaints continue to meet target which is a pleasing result.

### 3 - Changes to Food Act

Implementation of the changes to Food Act 2014 will progress until 28 February 2019 when all food business will have switched from the Food Hygiene Regulations to the Food Act.

## WHAT ELSE HAVE WE DONE

- A review of the service we provide under the Sale and Supply of Alcohol Act 2012 and the Local Alcohol Policy has been completed and it is expected that the review findings will be fully implemented by 1 October 2017.
- To operate in the new food environment the

Ministry of Primary Industries (MPI) require us to operate as per a Quality Management System (QMS). Much of this period has been spent developing the procedures to support the Council's QMS so that we can gain MPI approval to widen our scope of the food business in the city we can verify.



## FUNDING IMPACT STATEMENT - ENVIRONMENTAL HEALTH

	Long Term Plan 2012 - 2022 2015/16 \$'000	Long Term Plan 2015 - 2025 2016/17 \$'000	Actual 2016/17 \$'000
<b>SOURCES OF OPERATIONAL FUNDING</b>			
General rates, uniform annual general charges, rates penalties	842	859	719
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	303	311	231
Internal charges and overheads recovered	88	90	74
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	40	46	159
<b>Total operating funding (A)</b>	<b>1,273</b>	<b>1,306</b>	<b>1,183</b>
<b>APPLICATIONS OF OPERATIONAL FUNDING</b>			
Payments to staff and suppliers	1,155	1,185	1,139
Finance costs	-	-	-
Internal charges and overheads applied	88	90	74
Other operating funding applications	-	-	-
<b>Total applications of operational funding (B)</b>	<b>1,243</b>	<b>1,275</b>	<b>1,213</b>
<b>Surplus (deficit) of operational funding (A-B)</b>	<b>30</b>	<b>31</b>	<b>(30)</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	18	9	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>18</b>	<b>9</b>	<b>-</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	83	41	31
Increase (decrease) in reserves	(35)	(1)	(61)
Increase (decrease) in investments	-	-	-
<b>Total application of capital funding (D)</b>	<b>48</b>	<b>40</b>	<b>(30)</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(30)</b>	<b>(31)</b>	<b>30</b>
<b>FUNDING BALANCE ( (A-B) + (C-D) )</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation expense (not included in the above FIS)	30	31	24

## FUNDING IMPACT STATEMENT ANALYSIS

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# Resource Management

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## WHAT WE HAVE DONE

The Resource Management Activity promoted the sustainable management of the natural and physical resources of the District by developing policies that reflected the Invercargill environment;

processing applications made under the Resource Management Act; implementing the District Plan and other environmental policies; and by promoting best environmental practice.

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## WHAT WE AGREED WITH THE COMMUNITY

Community Outcome	Council’s Role	How the Activity Contributes	Customer Level of Service	Measure of Service
Healthy lifestyles in a healthy environment.	Implement and protect distinct development zones across the District.	The Resource Management Activity establishes environmental standards for activities throughout the District, and promotes sustainable development.	Development that does not meet the standards in the District Plan is subject to the resource consent process where it can be refused or granted with appropriate conditions.	Resource consent applications are processed in accordance with the Resource Management Act.

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## HOW DID WE MEASURE UP

Measure	Target 2016/2017	Result 2016/2017
Resource consent applications are processed in accordance with the Resource Management Act.	100%	Not Achieved - 99% (2015/16: Achieved - 100%)

## THE DETAILS

Out of the 202 resource consent applications received, there was only one that was not processed within the timeframes that are set out in the Resource Management Act 1991.

## WHAT ELSE HAVE WE DONE

The electronic lodgement for planning applications "went live" in November 2016.

Decisions on the District Plan review were released in October 2016 and 16 appeals were received.

Mediation on the appeals took place in the first half of 2017.

## FUNDING IMPACT STATEMENT - RESOURCE MANAGEMENT

	Long Term Plan 2012 - 2022 2015/16 \$'000	Long Term Plan 2015 - 2025 2016/17 \$'000	Actual 2016/17 \$'000
<b>SOURCES OF OPERATIONAL FUNDING</b>			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	1,239	1,167	1,185
Subsidies and grants for operating purposes	-	-	-
Fees and charges	191	205	135
Internal charges and overheads recovered	24	25	5
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	19	19	17
<b>Total operating funding (A)</b>	<b>1,473</b>	<b>1,416</b>	<b>1,342</b>
<b>APPLICATIONS OF OPERATIONAL FUNDING</b>			
Payments to staff and suppliers	1,442	1,386	1,359
Finance costs	-	-	-
Internal charges and overheads applied	24	25	5
Other operating funding applications	-	-	-
<b>Total applications of operational funding (B)</b>	<b>1,466</b>	<b>1,411</b>	<b>1,364</b>
<b>Surplus (deficit) of operational funding (A-B)</b>	<b>7</b>	<b>5</b>	<b>(22)</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	2	2	-
Increase (decrease) in reserves	5	3	(22)
Increase (decrease) in investments	-	-	-
<b>Total application of capital funding (D)</b>	<b>7</b>	<b>5</b>	<b>(22)</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(7)</b>	<b>(5)</b>	<b>22</b>
<b>FUNDING BALANCE ( (A-B) + (C-D) )</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation expense (not included in the above FIS)	7	5	5

## FUNDING IMPACT STATEMENT ANALYSIS

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# Provision of Specialised Community Services

## PROVISION OF SPECIALISED COMMUNITY SERVICES

Council has developed relationships with other entities which provide specialised community services which the Council supports financially to enhance the Community's cultural interests. These services support the "A City that is a great place to live and visit" Community Outcome by promoting Invercargill actively as a great place to live, work, play and visit and providing or promoting a range of events that create vibrancy and build community. These services

also support the "Healthy lifestyles in a healthy environment" Community Outcome by providing or promoting the provision of a diverse range of excellent quality and safe indoor and outdoor recreational facilities.

Significant entities that provided specialised services and the level of financial support from Council are detailed below:

Entity	Contribution towards the Specialised Service Provided	Proposed Level of Financial Support Per Annum 2016/17 (\$)	Actual Level of Financial Support Per Annum 2016/17(\$)
<b>Service Contracts</b>			
Anderson Park Art Gallery Trust Board	Operation and promotion of the Anderson Park Art Gallery and care of the extensive collection.	300,803	296,102
Invercargill Venue and Events Management	Managing operation of the Civic Theatre.	112,750	112,750
Southland Indoor Leisure Centre Charitable Trust	Operation and maintenance of Stadium Southland.	400,000	400,000
Southland Museum and Art Gallery Trust Board	Operation of the Southland Museum and Art Gallery.	634,407	634,407
Southland Regional Heritage Committee	Preserving the Regional Heritage of Southland.	838,051	838,051
<b>Grants</b>			
Bluff Hill Motupohue Environment Trust	Support the pest control programme.	10,000	10,000
Bluff Maritime Museum Trust Board	Operation of the Bluff Maritime Museum.	20,000	20,000
Bluff Pool Trust	Operation of the Bluff Community Pool.	130,000	240,832
Citizens Advice Bureau	Operation of Citizens Advice Bureau	24,000	24,000

Entity	Contribution towards the Specialised Service Provided	Proposed Level of Financial Support Per Annum 2016/17 (\$)	Actual Level of Financial Support Per Annum 2016/17 (\$)
Events Fund*	Contribution towards event creation/ promotion.	100,000	53,000
Facilities Maintenance Fund	Contribution to the ongoing maintenance of Council owned facilities utilised by Community Groups and Sports Clubs.	250,000	250,000
Football for all Weathers	Loan interest and principle repayments.	11,728	11,818
Iconic Events Fund*	Contribution towards the holding of iconic events or performances in Invercargill.	100,000	112,391
Santa Parade Charitable Trust	Storage of floats for parade.	10,000	10,000
Southland Indoor Leisure Centre Charitable Trust	Loan interest for 2015/16 year resulting from the contribution to Stadium Southland rebuild.	89,286	61,352
Southland Multicultural Council	Operation of the Southland Multicultural Council.	5,000	5,000
Southland Warm Homes Trust	Providing subsidies on Healthy Homes initiatives for citizens.	50,000	50,000
Southland Youth One Stop Shop Trust	Contribution towards building rental.	27,000	27,000
SPCA	Operation of the Southland SPCA.	11,000	11,000
Sport Southland	Contribution towards a South City Kiwisport programme and contribution to Sport Southland.	20,000	20,000
Winter and Christmas Lights	Maintenance and upgrade of Christmas lights.	20,000	24,318

\*The purpose of the Events Fund is to provide financial assistance to encourage the holding of significant events or performances in Invercargill. Applicants must meet eligibility criteria and then Council will determine whether a financial contribution will be made. The purpose of the Iconic Events Fund is to provide financial assistance for iconic events or performances in Invercargill that no longer meet the eligibility criteria for the Events Fund, for example, events that have been operating for more than three years. Examples of iconic events are The Buskers' Festival and the Burt Munro Challenge.

## FUNDING IMPACT STATEMENT - OTHER GRANTS

Excluding Venture Southland and Southland Regional Heritage Committee

	Long Term Plan 2012 - 2022	Long Term Plan 2015 - 2025	Actual
	2015/16 \$'000	2016/17 \$'000	2016/17 \$'000
<b>SOURCES OF OPERATIONAL FUNDING</b>			
General rates, uniform annual general charges, rates penalties	2,119	2,279	2,406
Targeted rates	250	256	330
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overheads recovered	-	149	149
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
<b>Total operating funding (A)</b>	<b>2,369</b>	<b>2,684</b>	<b>2,885</b>
<b>APPLICATIONS OF OPERATIONAL FUNDING</b>			
Payments to staff and suppliers	2,241	2,262	2,346
Finance costs	115	108	66
Internal charges and overheads applied	-	149	149
Other operating funding applications	-	-	-
<b>Total applications of operational funding (B)</b>	<b>2,356</b>	<b>2,519</b>	<b>2,561</b>
<b>Surplus (deficit) of operational funding (A-B)</b>	<b>13</b>	<b>165</b>	<b>324</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(62)	(66)	(180)
Gross proceeds from sale of assets	-	-	(4)
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(62)</b>	<b>(66)</b>	<b>(184)</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	20
Increase (decrease) in reserves	(49)	99	120
Increase (decrease) in investments	-	-	-
<b>Total application of capital funding (D)</b>	<b>(49)</b>	<b>99</b>	<b>140</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(13)</b>	<b>(165)</b>	<b>(324)</b>
<b>FUNDING BALANCE ( (A-B) + (C-D) )</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation expense (not included in the above FIS)	9	9	31

## FUNDING IMPACT STATEMENT ANALYSIS

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## FUNDING IMPACT STATEMENT - SOUTHLAND REGIONAL HERITAGE COMMITTEE

	Long Term Plan 2012 - 2022	Long Term Plan 2015 - 2025	Actual
	2015/16 \$'000	2016/17 \$'000	2016/17 \$'000
<b>SOURCES OF OPERATIONAL FUNDING</b>			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	721	739	838
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overheads recovered	-	-	-
Interest and dividends from investments	-	-	11
Local authorities fuel tax, fines, infringement fees, and other receipts	321	326	453
<b>Total operating funding (A)</b>	<b>1,042</b>	<b>1,065</b>	<b>1,302</b>
<b>APPLICATIONS OF OPERATIONAL FUNDING</b>			
Payments to staff and suppliers	1,042	1,065	1,398
Finance costs	-	-	-
Internal charges and overheads applied	-	-	-
Other operating funding applications	-	-	-
<b>Total applications of operational funding (B)</b>	<b>1,042</b>	<b>1,065</b>	<b>1,398</b>
<b>Surplus (deficit) of operational funding (A-B)</b>	<b>-</b>	<b>-</b>	<b>(96)</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
Increase (decrease) in reserves	-	-	(96)
Increase (decrease) in investments	-	-	-
<b>Total application of capital funding (D)</b>	<b>-</b>	<b>-</b>	<b>(80)</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>-</b>	<b>-</b>	<b>(96)</b>
<b>FUNDING BALANCE ( (A-B) + (C-D) )</b>	<b>-</b>	<b>-</b>	<b>96</b>
Depreciation expense (not included in the above FIS)	-	-	-

## FUNDING IMPACT STATEMENT ANALYSIS

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# Community Development

## WHAT WE HAVE DONE

The Community Development Activity provided individuals, groups and organisations with advice and information to assist them with project development, the administration of funding programmes and the co-

ordination of community based projects. The Activity also developed relationships and worked with youth and other identified sectors.

## WHAT WE AGREED WITH THE COMMUNITY

Community Outcome	Council's Role	How the Activity Contributes	Customer Level of Service	Measure of Service
A City that is a great place to live and visit.	Provide and promote a range of events that create vibrancy and build community.	The Community Development Activity manages and implements the use of the 'friendly' brand.	Council continues to grow the use of the 'friendly' brand.	Number of events, agencies and businesses achieving the use of the 'friendly' brand.
Strong, innovative leadership.	Invercargill residents across the board are active and engaged citizens.	The Community Development Activity supports the Invercargill Youth Council and its initiatives.	Youth Council are enthused to plan and undertake initiatives.	Number of young person's taking part in initiatives.
Healthy lifestyles in a healthy environment.	Provide or promote the provision of a diverse range of excellent quality and safe indoor and outdoor recreational facilities.	The Community Development Activity administers and promotes funding programmes	Invercargill Active Communities and Creative Communities Invercargill funding programmes increase participation in sport, physical recreation, arts and cultural activities.	Number of residents participating in programmes funded by the two funding programmes.

## HOW DID WE MEASURE UP

Measure	Target 2016/17	Result 2016/17
Number of events, agencies and businesses achieving the use of the 'friendly' brand.	12	Not Achieved - 11 (2015/16: Achieved - 13)
Number of young people taking part in initiatives.	200	Achieved - 588 (2015/16: Achieved - 611)
Number of residents participating in programmes funded by the two funding programmes.	2000	Achieved - 47,941 (2015/16: Achieved - 29,652)

## THE DETAILS

The friendly brand outcomes were less than expected due to a staff vacancy for five months.

Some organisations are able to use the brand on any event they feel meets the criteria. If they don't request resources to use at the event we often don't know that the event was a branded event.

## WHAT ELSE HAVE WE DONE

The Youth Council held a very successful youth leadership forum, "It's L.I.T." This was a day long programme and attracted 82 young people.

The Safe in the South International Safe Communities Programme has undertaken a very popular Champions Programme. The programme is working in the area of Family Harm.

## FUNDING IMPACT STATEMENT - COMMUNITY DEVELOPMENT

	Long Term Plan 2012 - 2022 2015/16 \$'000	Long Term Plan 2015 - 2025 2016/17 \$'000	Actual 2016/17 \$'000
<b>SOURCES OF OPERATIONAL FUNDING</b>			
General rates, uniform annual general charges, rates penalties	292	300	298
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	28
Fees and charges	-	-	-
Internal charges and overheads recovered	-	-	-
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	2	2	13
<b>Total operating funding (A)</b>	<b>294</b>	<b>302</b>	<b>339</b>
<b>APPLICATIONS OF OPERATIONAL FUNDING</b>			
Payments to staff and suppliers	284	293	336
Finance costs	7	6	4
Internal charges and overheads applied	-	-	-
Other operating funding applications	-	-	-
<b>Total applications of operational funding (B)</b>	<b>291</b>	<b>299</b>	<b>340</b>
<b>Surplus (deficit) of operational funding (A-B)</b>	<b>3</b>	<b>3</b>	<b>(1)</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(3)	(3)	(5)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(3)</b>	<b>(3)</b>	<b>(5)</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
Increase (decrease) in reserves	-	-	(6)
Increase (decrease) in investments	-	-	-
<b>Total application of capital funding (D)</b>	<b>-</b>	<b>-</b>	<b>(6)</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(3)</b>	<b>(3)</b>	<b>1</b>
<b>FUNDING BALANCE ( (A-B) + (C-D) )</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation expense (not included in the above FIS)	-	-	1

## FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2016/17 budgets prepared as part of the 2015 - 2025 Long-Term Plan. Council's intentions and priorities have changed since these initial budgets, and these changes have been consulted on as part of the development of the 2016/17 Annual Plan.

# Housing Care Services

## WHAT WE HAVE DONE

The Housing Care Service Activity provided housing for elderly people with limited financial resources for whom the general housing market presents a problem in terms of affordability and manageability. This was

achieved by providing 21 complexes with 215 units and maintaining these properties at their current standards.

## WHAT WE AGREED WITH THE COMMUNITY

Community Outcome	Council's Role	How the Activity Contributes	Customer Level of Service	Measure of Service
A City that is a great place to live and visit.	Ensure that all projects/services consider how best they can cater for people with disabilities, the elderly, youth and families.	The provision of low cost, quality accommodation to pensioners, the disabled and those on low/fixed incomes who meet the entry criteria.	Affordable accommodation is provided.	Rental does not exceed 30% of the gross superannuation benefit.

## HOW DID WE MEASURE UP

Measure	Target 2016/17	Result 2016/17
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%)

## WHAT ELSE HAVE WE DONE

### Improvements at Housing Care Facilities

Re-roofing was completed at the following:

- Korimako Place, Waverly Street
- Willow Park, Adamson Crescent
- Strathpine, Ettrick Street

Partial double glazing was installed at the following:

- Elston Lea, 50 Murphy Street

Installed a scooter porch/conservatory at the following:

- Laural Court, Maltby Street
- Powell Court, Pomona Street

## FUNDING IMPACT STATEMENT - HOUSING CARE SERVICES

	Long Term Plan 2012 - 2022 2015/16 \$'000	Long Term Plan 2015 - 2025 2016/17 \$'000	Actual 2016/17 \$'000
<b>SOURCES OF OPERATIONAL FUNDING</b>			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	1,000	1,025	1,070
Internal charges and overheads recovered	775	794	775
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
<b>Total operating funding (A)</b>	<b>1,775</b>	<b>1,819</b>	<b>1,845</b>
<b>APPLICATIONS OF OPERATIONAL FUNDING</b>			
Payments to staff and suppliers	659	675	706
Finance costs	23	32	-
Internal charges and overheads applied	775	794	775
Other operating funding applications	-	-	-
<b>Total applications of operational funding (B)</b>	<b>1,457</b>	<b>1,501</b>	<b>1,481</b>
<b>Surplus (deficit) of operational funding (A-B)</b>	<b>318</b>	<b>318</b>	<b>364</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	194	191	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>194</b>	<b>191</b>	<b>-</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	28	19	-
- to replace existing assets	458	342	133
Increase (decrease) in reserves	26	148	231
Increase (decrease) in investments	-	-	-
<b>Total application of capital funding (D)</b>	<b>512</b>	<b>509</b>	<b>364</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(318)</b>	<b>(318)</b>	<b>(364)</b>
<b>FUNDING BALANCE ( (A-B) + (C-D) )</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation expense (not included in the above FIS)	292	299	297

## FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2016/17 budgets prepared as part of the 2015 - 2025 Long-Term Plan. Council's intentions and priorities have changed since these initial budgets, and these changes have been consulted on as part of the development of the 2016/17 Annual Plan.

# Libraries & Archives

## WHAT WE HAVE DONE

The Libraries and Archives Activity operated the central library with four departments (Adult Services, Children’s Services, Information Services and Activities and Technology Services) and the small

branch library in Bluff. By doing this the Activity provided a resource for education, recreation, culture and the well-being of the community.

## WHAT WE AGREED WITH THE COMMUNITY

Community Outcome	Council’s Role	How the Activity Contributes	Customer Level of Service	Measure of Service
A diverse and growing economy.	Ensure that the building blocks for sustainable business are in place, including energy, water, communications and workforce.	The Libraries and Archives Activity supports lifelong learning, digital literacy and reading across all ages and abilities. This ensures that we have an informed community and workforce.	Library stock is of good quality, quantity and variety.	Number of issues per year.
				Level of reference enquiries.
Healthy lifestyles in a healthy environment.	Provide or promote the provision of a diverse range of excellent quality and safe, indoor and outdoor recreational facilities, both natural and man-made.	The Libraries and Archives Activity provides two libraries, the Central Library and the branch library in Bluff. These libraries provide safe public space for the Community to use.	Services offer a good experience for all users.	Number of visits per year.
Strong, innovative leadership.	Actively seek efficiencies through innovation, shared services and streamlining processes.	The Libraries and Archives Activity is involved in Shared Services with the Clutha, Gore and Southland District Councils through membership in the Southlib (regional library management software) consortia.	Libraries are accessible and available to the wider Community.	Membership as a percentage of total population.

## HOW DID WE MEASURE UP

Measure	Target 2016/17	Result 2016/17
Number of issues per year.	615,000	Not Achieved - 596,507 (2015/16: Not Achieved - 611,607)
Level of reference enquiries.	85,000	Achieved - 109,468 (2015/16: Achieved - 141,127)
Increasing number of visits per year.	525,000	Not Achieved - 504,984 (2015/16: Not Achieved - 514,555)
Membership as a percentage of total population.	65%-75%	Achieved - 71.83 (2015/16: Achieved - 70.52%)

## THE DETAILS

The levels of service results continue to reflect the changing use of Invercargill City Libraries and Archives. There has been a change in the way reference enquiries are calculated with digital enquiries now only including active users as recorded in Google Analytics.

## WHAT ELSE HAVE WE DONE?

Events and programmes provided for all ages remain well attended. Storytime and holiday programmes remain core business as usual with outreach visits to preschools, early childhood centres and increasingly to retirement homes. The total number attending events and programmes was 23,045 made up of 10,847 adults and 12,198 children. A programme introduced this year included the use of a product called "bloxels" which helps teach computer coding.

The past year has seen great social media success for the Invercargill Public Library. September 2016 saw our most successful viral video to date reach over 1 million people worldwide. This saw the Invercargill

Library mentioned in the Huffington Post, The Telegraph and Mashable. It also piqued the interest of TV 3's story (now news hub) who sent a reporter down to interview the social media team, and talk about the work they were doing. This success has continued on into 2017, with this year's highlight being a video titled "Librarians Read Mean Tweets" the video pokes fun at the stereotype of Librarians. The video had a reach of over 500,000 people worldwide. It led to an interview in an online library journal called Webjunction about the secret to our social media success. In 2017 alone we have seen 31% growth in Facebook followers with over 5,500 likes.

A major change this year has been the introduction of some shelf ready material. We have joined a consortia headed by Wellington Public Library which now includes 13 public libraries in New Zealand. This has meant that materials are made available for library users much sooner, backlogs have been reduced and staff have been able to work on projects which have had a lower priority.

The Library and Archives continues to collaborate with a number of local organisations such as the Genealogical Society, Heritage South, the Dan Davin Literary Foundation, Heritage South and the Southland Museum and Art Gallery plus national organisations such as AnyQuestions, and the National Library. As part of the Southlib consortia we share access to eBooks and eAudio collections and also work with Southland District on a shared Library Management System. We are also providing a storage space for the Invercargill Public Art Gallery while the Anderson Park is closed.

The Archives Service completed a project involving the transcription of letters from Southland World War

1 soldiers. These are now available on a website "since writing you last" <http://www.sincewritingyoulast.co.nz/> which is a term used by Ernie McIntyre in a number of his letters home. All archives policies have been reviewed and the first audit of the "Approved Repository" status has been completed by Archives New Zealand with the finding that the public archives are well-managed, stored in appropriate conditions and facilities, with a good level of risk management in place. There has also been a transfer of Southland Provincial Parishes and Church records from the Dunedin Hocken Library. Comprised of 92 boxes of historic records dating from 1861 - 2007, researchers now have access to an array of records, not least of which include Baptism, Marriage and Burial Registers, photographs and Vestry Minute Books.

The major project which is still to be completed has been proposed refurbishment of the library including layout changes. Further consultation was completed with a scheduled start in the financial year 2017/2018.

## CAPITAL WORKS PROJECTS

Project	2016/17 Proposed \$000	2016/17 Actual \$000
Auto Door Renewal	200	0
Lift and Escalators	374	0

## THE DETAILS

The proposed amount will be carried forward unto the next financial year.



## FUNDING IMPACT STATEMENT - LIBRARIES AND ARCHIVES

	Long Term Plan 2012 - 2022 2015/16 \$'000	Long Term Plan 2015 - 2025 2016/17 \$'000	Actual 2016/17 \$'000
<b>SOURCES OF OPERATIONAL FUNDING</b>			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	3,913	3,995	3,999
Subsidies and grants for operating purposes	5	5	-
Fees and charges	148	151	124
Internal charges and overheads recovered	711	733	735
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	29	29	18
<b>Total operating funding (A)</b>	<b>4,806</b>	<b>4,913</b>	<b>4,876</b>
<b>APPLICATIONS OF OPERATIONAL FUNDING</b>			
Payments to staff and suppliers	3,288	3,348	3,347
Finance costs	171	159	65
Internal charges and overheads applied	711	733	735
Other operating funding applications	-	-	-
<b>Total applications of operational funding (B)</b>	<b>4,170</b>	<b>4,240</b>	<b>4,147</b>
<b>Surplus (deficit) of operational funding (A-B)</b>	<b>636</b>	<b>673</b>	<b>729</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(122)	620	(97)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(122)</b>	<b>620</b>	<b>(97)</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	50	17	19
- to replace existing assets	562	1,207	388
Increase (decrease) in reserves	(98)	69	225
Increase (decrease) in investments	-	-	-
<b>Total application of capital funding (D)</b>	<b>514</b>	<b>1,293</b>	<b>632</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(636)</b>	<b>(673)</b>	<b>(729)</b>
<b>FUNDING BALANCE ( (A-B) + (C-D) )</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation expense (not included in the above FIS)	1,162	1,305	1,187

## FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2016/17 budgets prepared as part of the 2015 - 2025 Long-Term Plan. Council's intentions and priorities have changed since these initial budgets, and these changes have been consulted on as part of the development of the 2016/17 Annual Plan.

# Parks & Reserves

## including Cemeteries & Crematorium

### WHAT WE HAVE DONE

The Parks and Reserves Activity provided and maintained public spaces, facilities and amenities for outdoor sports, recreation, beautification projects, as well as cemeteries for burial and cremation to

meet the needs of the community. This was achieved through the provision of 161 parks and reserves comprising a total land area of 3,016 hectares.

### WHAT WE AGREED WITH THE COMMUNITY

Community Outcome	Council's Role	How the Activity Contributes	Customer Level of Service	Measure of Service
A City that is a great place to live and visit.	Promote Invercargill actively as a great place to live, work, play and visit.	Parks and reserves enhance the aesthetic value of the City	Queens Park is recognised nationally as a significant municipal garden.	Queens Park is accredited as a "Garden of National Significance".
		Parks and Reserves assist in protecting Invercargill's environment, history and heritage.	Burial records are available to the general public.	Burial records, photos and inscriptions are available on Council's website.
Healthy lifestyles in a healthy environment.	Provide or promote the provision of a diverse range of excellent quality and safe indoor and outdoor recreational and facilities, both natural and man-made.	Parks and reserves provide facilities and opportunities for sport, recreation and leisure activities.	A diverse range of parks and reserves are available and accessible.	Percentage of urban residents within 500 metres of a park or reserve.

## HOW DID WE MEASURE UP

Measure	Target 2016/17	Result 2016/17
Queens Park is accredited as a "Garden of National Significance".	Accreditation retained.	Achieved. (2015/16: Achieved - Accreditation retained).
Percentage of urban residents within 500 metres of a park or reserve.	100%	Achieved. (2015/16: Not Achieved - 96%).
Burial records are available on Council's website.	100%	Achieved. (2015/16: Achieved - 100%).

## CAPITAL WORKS PROJECTS

The capital works having a value exceeding \$75,000 in 2016/17 were:

Project	Proposed \$000	Actual \$000
Winter Gardens	72	0
New Play Equipment.	143	35
Plant and Equipment	103	63
Surrey Park Grandstand	256	0
Queens Park Specialist Displays	600	52

## THE DETAILS

The investigation around heating options for the winter garden was to be carried out over two years and this amount will be carried forward to the 2017/18 year.

The reduction in cost spent on new play equipment is due to the concentrated maintenance on existing equipment.

Plant and equipment items are still in a reasonable

condition so some of the budget will be transferred to the 2017/18 year.

The Surrey Park Grandstand requires further investigation so will be held over to the following year.

Funding for the Chinese Gardens is to be carried forward, as this project is still a work in progress.

## FUNDING IMPACT STATEMENT - PARKS AND RESERVES

	Long Term Plan 2012 - 2022	Long Term Plan 2015 - 2025	Actual
	2015/16 \$'000	2016/17 \$'000	2016/17 \$'000
<b>SOURCES OF OPERATIONAL FUNDING</b>			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	5,575	6,025	6,098
Subsidies and grants for operating purposes	10	9	24
Fees and charges	1,008	1,058	1,074
Internal charges and overheads recovered	7,630	7,817	8,134
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	829	904	1,251
<b>Total operating funding (A)</b>	<b>15,052</b>	<b>15,813</b>	<b>16,581</b>
<b>APPLICATIONS OF OPERATIONAL FUNDING</b>			
Payments to staff and suppliers	6,639	6,814	6,569
Finance costs	41	35	21
Internal charges and overheads applied	7,630	7,817	8,134
Other operating funding applications	-	-	-
<b>Total applications of operational funding (B)</b>	<b>14,310</b>	<b>14,666</b>	<b>14,724</b>
<b>Surplus (deficit) of operational funding (A-B)</b>	<b>742</b>	<b>1,147</b>	<b>1,857</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(74)	(79)	(89)
Gross proceeds from sale of assets	50	51	34
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(24)</b>	<b>(28)</b>	<b>(55)</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	7
- to improve the level of service	-	-	-
- to replace existing assets	1,447	1,307	913
Increase (decrease) in reserves	(729)	(188)	882
Increase (decrease) in investments	-	-	-
<b>Total application of capital funding (D)</b>	<b>718</b>	<b>1,119</b>	<b>1,802</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(742)</b>	<b>(1,147)</b>	<b>(1,857)</b>
<b>FUNDING BALANCE ( (A-B) + (C-D) )</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation expense (not included in the above FIS)	735	757	888

## FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2016/17 budgets prepared as part of the 2015 - 2025 Long-Term Plan. Council's intentions and priorities have changed since these initial budgets, and these changes have been consulted on as part of the development of the 2016/17 Annual Plan.

# Passenger Transport

## WHAT WE HAVE DONE

The Passenger Transport Activity provided an affordable, accessible and sustainable transport system for the District. This was achieved by contracting a bus service for the Invercargill urban

area and by providing the Total Mobility Scheme, a subsidised taxi voucher system, for those who are unable to use the bus system because of disability or medical condition.

## WHAT WE AGREED WITH THE COMMUNITY

Community Outcome	Council's Role	How the Activity Contributes	Customer Level of Service	Measure of Service
A diverse and growing economy.	Ensure that the building blocks for sustainable business are in place, including energy, water, communications and workforce.	Passenger Transport ensures that a quality public transport service is available, accessible and affordable for people to travel to work and education centres.	Bus routes are convenient.	Homes in the Invercargill urban area are within 400 metres of a serviced bus route.
Healthy lifestyle in a healthy environment.	Provide or promote the provision of a diverse range of excellent quality and safe, indoor and outdoor recreational facilities, both natural and man-made.	Passenger Transport ensures that a quality public transport service is available, accessible and affordable for people to travel to recreational facilities.	The bus service is well utilised.	Farebox recovery percentage.
A City that is a great place to live and visit.	Ensure that all projects/ services consider how best they can cater for people with disabilities, the elderly, youth and families.	Passenger Transport provides the Total Mobility Service that provides subsidised transport for people who are unable to use the bus service due to physical or mental impairment or condition.	Passenger Transport services are provided for all members of the Community.	All members of the Community have the opportunity to use public transport.

## HOW DID WE MEASURE UP

Measure	Target 2016/17	Result 2016/17
Homes in the Invercargill urban area are within 400 metres of a serviced bus route.	90%	Achieved (routes unchanged from previous years) (2015/16: Achieved - 90%)
Farebox recovery percentage.	36%	Not Achieved - 32.1% (2015/16: Not Achieved - 32%)
All members of the community have the opportunity to use 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)

## THE DETAILS

### 1 - Homes in Invercargill

The network has not changed during the period so the target continues to be achieved.

### 2 - Farebox Recovery

The passenger numbers during the year have not met expectations and accordingly the full fare customers are also down resulting in less farebox income. Costs remain the same so with less revenue the farebox has not been achieved.

### 3 - Total Mobility

The service continues to be well managed by Council staff and the customers have been well served through the distribution of tickets, management of clients and the coordination with service providers.

## WHAT ELSE HAVE WE DONE?

Involvement has continued with the Regional Ticketing System and this has been delayed by the consortium with a new implementation date of March 2018. The new system has extensive input in

establishing rules and options but direct involvement is important. The initial phase has started to investigate a move for total mobility to an electronic card system.

## FUNDING IMPACT STATEMENT - PASSENGER TRANSPORT

	Long Term Plan 2012 - 2022	Long Term Plan 2015 - 2025	Actual
	2015/16 \$'000	2016/17 \$'000	2016/17 \$'000
<b>SOURCES OF OPERATIONAL FUNDING</b>			
General rates, uniform annual general charges, rates penalties	186	190	210
Targeted rates	572	576	551
Subsidies and grants for operating purposes	1,079	1,120	1,019
Fees and charges	308	315	259
Internal charges and overheads recovered	-	-	-
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	48	49	49
<b>Total operating funding (A)</b>	<b>2,193</b>	<b>2,250</b>	<b>2,088</b>
<b>APPLICATIONS OF OPERATIONAL FUNDING</b>			
Payments to staff and suppliers	2,169	2,013	1,913
Finance costs	-	-	-
Internal charges and overheads applied	-	-	-
Other operating funding applications	-	-	-
<b>Total applications of operational funding (B)</b>	<b>2,169</b>	<b>2,013</b>	<b>1,913</b>
<b>Surplus (deficit) of operational funding (A-B)</b>	<b>24</b>	<b>237</b>	<b>175</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	212	-
- to replace existing assets	24	25	-
Increase (decrease) in reserves	-	-	175
Increase (decrease) in investments	-	-	-
<b>Total application of capital funding (D)</b>	<b>24</b>	<b>237</b>	<b>175</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(24)</b>	<b>(237)</b>	<b>(175)</b>
<b>FUNDING BALANCE ( (A-B) + (C-D) )</b>	<b>-</b>	<b>-</b>	<b>-</b>

Depreciation expense (not included in the above FIS) 33 34 24

## FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2016/17 budgets prepared as part of the 2015 - 2025 Long-Term Plan. Council's intentions and priorities have changed since these initial budgets, and these changes have been consulted on as part of the development of the 2016/17 Annual Plan.

# Pools

## WHAT WE HAVE DONE

The Pools Activity provided aquatic facilities at the Southland Aquatic Centre (Splash Palace) to ensure affordable aquatic health and fitness, education, sport and leisure services for the community. This was achieved by delivering quality 'learn to swim'

programmes; ensuring the pools are kept within the required water treatment standards; and ensuring the pools are managed within the New Zealand Poolsafe Quality Management Scheme.

## WHAT WE AGREED WITH THE COMMUNITY

Community Outcome	Council's Role	How the Activity Contributes	Customer Level of Service	Measure of Service
Healthy lifestyles in a healthy environment.	Provide or promote the provision of a diverse range of excellent quality and safe indoor and outdoor recreational facilities, both natural and man-made.	The Pools Activity provides a safe, fun environment where people can enjoy a diverse range of sport, recreation and leisure opportunities.	Splash Palace is safe for users.	All water quality standards are within normal limits.
A City that is a great place to live and visit.	Ensure that all projects/ services consider how best they can cater for people with disabilities, the elderly, youth and families.	The Pools Activity offers a range of learn-to-swim, fitness and other water-based learning activities that cater for all members of the Community.	Splash Palace is affordable and well utilised.	Number of visits to Splash Palace per head of Invercargill population.
	Promote Invercargill actively as a great place to live, work, play and visit.	The Pools Activity provides the only 50 metre swimming pool in the Southland Region.		
	Promote and provide a range of events that create vibrancy and build Community.	The Pools Activity offers a high quality facility in which tournaments and championships are hosted.		
Strong, innovative leadership.	Develop and nurture partnerships with key stakeholders.	The Pools Activity works together with the Invercargill Licensing Trust and the ILT Foundation in providing free Learn to Swim programmes.	Splash Palace provides accessible, quality learning opportunities.	Percentage of Swim School customers who rate their experience as good or very good when surveyed.



## HOW DID WE MEASURE UP

Measure	Target 2016/17	Result 2016/17
All water quality standards are within limits set in NZS 5876:2010.	100%	99% - the 1% outside limits due to various changes to chlorine systems resulted in temporary pool closures (2 - 3 hours total). (2015/16: Achieved - 100%)
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 visits)
Percentage of Swim School customers who rate their experience as good or very good when surveyed.	80%	Achieved - 92% (2015/16: Achieved - 85%)

## CAPITAL WORKS PROJECTS

Project	2016/17 Proposed \$000	2016/17 Actual \$000
Family Changing Room	2,140	0

## THE DETAILS

In May 2016, Council made the decision to cancel the Splash Palace Dry Gym/Changing Rooms project.

Although Council cancelled the original project, it has determined to proceed with the changing rooms as a stand alone project.

## FUNDING IMPACT STATEMENT - POOLS

	Long Term Plan 2012 - 2022	Long Term Plan 2015 - 2025	Actual
	2015/16 \$'000	2016/17 \$'000	2016/17 \$'000
<b>SOURCES OF OPERATIONAL FUNDING</b>			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	1,974	2,091	2,097
Subsidies and grants for operating purposes	126	129	192
Fees and charges	789	1,224	818
Internal charges and overheads recovered	1,636	1,799	1,790
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	784	803	809
<b>Total operating funding (A)</b>	<b>5,309</b>	<b>6,046</b>	<b>5,706</b>
<b>APPLICATIONS OF OPERATIONAL FUNDING</b>			
Payments to staff and suppliers	3,262	3,495	3,373
Finance costs	187	298	68
Internal charges and overheads applied	1,636	1,799	1,790
Other operating funding applications	-	-	-
<b>Total applications of operational funding (B)</b>	<b>5,085</b>	<b>5,592</b>	<b>5,231</b>
<b>Surplus (deficit) of operational funding (A-B)</b>	<b>224</b>	<b>454</b>	<b>475</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	1,843	(188)	(105)
Gross proceeds from sale of assets	-	-	(11)
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>1,843</b>	<b>(188)</b>	<b>(116)</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	2,140	-	-
- to replace existing assets	20	264	96
Increase (decrease) in reserves	(93)	2	263
Increase (decrease) in investments	-	-	-
<b>Total application of capital funding (D)</b>	<b>2,067</b>	<b>266</b>	<b>359</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(224)</b>	<b>(454)</b>	<b>(475)</b>
<b>FUNDING BALANCE ( (A-B) + (C-D) )</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation expense (not included in the above FIS)	482	565	499

## FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2016/17 budgets prepared as part of the 2015 - 2025 Long-Term Plan. Council's intentions and priorities have changed since these initial budgets, and these changes have been consulted on as part of the development of the 2016/17 Annual Plan.

# Public Toilets

## WHAT WE HAVE DONE

The Public Toilets Activity provided public toilets in retail areas and at Stirling Point in Bluff to provide an amenity to the community.

## WHAT WE AGREED WITH THE COMMUNITY

Community Outcome	Council's Role	How the Activity Contributes	Customer Level of Service	Measure of Service
A City that is a great place to live and visit.	Design spaces, buildings and roads with community safety and interest in mind, and encourage others to do the same.	Provide an amenity to the Community.	Public toilets are operational and accessible.	Automated toilets are available 24 hours a day.

## HOW DID WE MEASURE UP

Measure	Target 2016/17	Result 2016/17
Automated toilets are available 24 hours a day.	95%	Achieved - 95% (2015/16: Achieved - 99%)

## FUNDING IMPACT STATEMENT - PUBLIC TOILETS

	Long Term Plan 2012 - 2022 2015/16 \$'000	Long Term Plan 2015 - 2025 2016/17 \$'000	Actual 2016/17 \$'000
<b>SOURCES OF OPERATIONAL FUNDING</b>			
General rates, uniform annual general charges, rates penalties	355	362	344
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overheads recovered	-	-	-
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
<b>Total operating funding (A)</b>	<b>355</b>	<b>362</b>	<b>344</b>
<b>APPLICATIONS OF OPERATIONAL FUNDING</b>			
Payments to staff and suppliers	286	294	260
Finance costs	24	22	13
Internal charges and overheads applied	-	-	-
Other operating funding applications	-	-	-
<b>Total applications of operational funding (B)</b>	<b>310</b>	<b>316</b>	<b>273</b>
<b>Surplus (deficit) of operational funding (A-B)</b>	<b>45</b>	<b>46</b>	<b>71</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(19)	(20)	(26)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(19)</b>	<b>(20)</b>	<b>(26)</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	55	4
Increase (decrease) in reserves	26	(29)	41
Increase (decrease) in investments	-	-	-
<b>Total application of capital funding (D)</b>	<b>26</b>	<b>26</b>	<b>45</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(45)</b>	<b>(46)</b>	<b>(71)</b>
<b>FUNDING BALANCE ( (A-B) + (C-D) )</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation expense (not included in the above FIS)	28	29	24

## FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2016/17 budgets prepared as part of the 2015 - 2025 Long-Term Plan. Council's intentions and priorities have changed since these initial budgets, and these changes have been consulted on as part of the development of the 2016/17 Annual Plan.

# Theatre Services

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## WHAT WE HAVE DONE

The Theatre Services Activity provided a quality theatre and associated facility for hire and was extensively used by local and regional organisations as well as national and international touring companies. Within the Civic Theatre complex there are function rooms which are available for hire.

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## WHAT WE AGREED WITH THE COMMUNITY

Invercargill Venue and Events Management Limited (a Council Controlled Organisation) has been established to operate the Civic Theatre. This included the hiring of the Theatre to promoters / organisations with additional charges for specialist services. Levels of service that were provided by Invercargill Venue and Events Management are detailed on page 143.

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## FUNDING IMPACT STATEMENT - THEATRE SERVICES

	Long Term Plan 2012 - 2022 2015/16 \$'000	Long Term Plan 2015 - 2025 2016/17 \$'000	Actual 2016/17 \$'000
<b>SOURCES OF OPERATIONAL FUNDING</b>			
General rates, uniform annual general charges, rates penalties	924	947	946
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overheads recovered	880	948	900
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
<b>Total operating funding (A)</b>	<b>1,804</b>	<b>1,895</b>	<b>1,846</b>
<b>APPLICATIONS OF OPERATIONAL FUNDING</b>			
Payments to staff and suppliers	329	292	361
Finance costs	-	-	138
Internal charges and overheads applied	880	948	900
Other operating funding applications	-	-	-
<b>Total applications of operational funding (B)</b>	<b>1,209</b>	<b>1,240</b>	<b>1,399</b>
<b>Surplus (deficit) of operational funding (A-B)</b>	<b>595</b>	<b>655</b>	<b>447</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(145)	(350)	(353)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(145)</b>	<b>(350)</b>	<b>(353)</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	30	-	-
- to replace existing assets	170	20	19
Increase (decrease) in reserves	250	285	75
Increase (decrease) in investments	-	-	-
<b>Total application of capital funding (D)</b>	<b>450</b>	<b>305</b>	<b>94</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(595)</b>	<b>(655)</b>	<b>(447)</b>
<b>FUNDING BALANCE ( (A-B) + (C-D) )</b>	<b>-</b>	<b>-</b>	<b>-</b>

Depreciation expense (not included in the above FIS)	372	381	402
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## FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2016/17 budgets prepared as part of the 2015 - 2025 Long-Term Plan. Council's intentions and priorities have changed since these initial budgets, and these changes have been consulted on as part of the development of the 2016/17 Annual Plan.

# Democratic Process

## WHAT WE HAVE DONE

The Democratic Process Activity supported the implementation of the Local Government Act in the Invercargill District through supporting elected representatives and ensuring they are informed of

issues and their responsibilities and by encouraging community involvement in Council's decision making processes.

## WHAT WE AGREED WITH THE COMMUNITY

Community Outcome	Council's Role	How the Activity Contributes	Customer Level of Service	Measure of Service
Strong innovative leadership.	Provide good governance underpinned by a clear vision, intelligent strategies, robust plans and informed decision making.	The Democratic Process Activity supports elected representatives with training and information. This enables representatives to make robust decisions to implement the Local Government Act incorporating the widespread views of the community.	Council's decision making processes meet community expectations for opportunities to participate.	Percentage of residents survey respondents who provide a rating of satisfied or greater with the opportunities Council provides for community involvement in decision making.
Strong innovative leadership.	Communicate effectively with ratepayers, be accessible and respond to community need.	The Democratic Process Activity provides opportunities for the community to share its views with Council. Elections and Representation Reviews also provide the community with opportunities to contribute towards democracy.	The community is well informed about and contribute to Council's plans and progress.	Number of public meetings held during Long Term Plan and / or Annual Plan development.  Alternative methods of communicating information are utilised.

## HOW DID WE MEASURE UP

Measure	Target 2016/17	Result 2016/17
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% <sup>1</sup> (2015/16: Not Achieved - 34%)
Alternative methods of communicating information are utilised.	Consultation documents available on Council's website and use of social media.	Achieved <sup>2</sup> (2015/16: Achieved)

## THE DETAILS

### 1 - Residents' Survey

The results were similar to the 2015/16 survey with 42% of respondents giving a neutral rating. The neutral response will be targeted for improvement in the 2017/18 year, via development of the Engagement Strategy.

### 2 - Communication

Consultation documents have been made available on Council's website and on the Consult South website. Notice has also been given through the use of Facebook, Twitter and Radio Advertising. Council has utilised the Consultation Caravan for consultation and education purposes throughout the 2016/17 year.

## WHAT ELSE HAVE WE DONE

The Local Government Elections occurred in October 2016. Following the election the Democratic Process Activity assisted the Elected Members to develop their Triennial Agreement and the Local Governance Statement. The Local Governance Statement is available on the Council's website and, among other things, states the membership of Council Committees.



## FUNDING IMPACT STATEMENT - DEMOCRATIC PROCESS

	Long Term Plan 2012 - 2022 2015/16 \$'000	Long Term Plan 2015 - 2025 2016/17 \$'000	Actual 2016/17 \$'000
<b>SOURCES OF OPERATIONAL FUNDING</b>			
General rates, uniform annual general charges, rates penalties	2,903	2,950	2,989
Targeted rates	73	74	72
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	39
Internal charges and overheads recovered	365	374	568
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	5	5	13
<b>Total operating funding (A)</b>	<b>3,346</b>	<b>3,403</b>	<b>3,681</b>
<b>APPLICATIONS OF OPERATIONAL FUNDING</b>			
Payments to staff and suppliers	2,978	3,026	3,110
Finance costs	-	-	-
Internal charges and overheads applied	365	374	568
Other operating funding applications	-	-	-
<b>Total applications of operational funding (B)</b>	<b>3,343</b>	<b>3,400</b>	<b>3,678</b>
<b>Surplus (deficit) of operational funding (A-B)</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	40	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>40</b>	<b>-</b>	<b>-</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	155	46	12
Increase (decrease) in reserves	(112)	(43)	(9)
Increase (decrease) in investments	-	-	-
<b>Total application of capital funding (D)</b>	<b>43</b>	<b>3</b>	<b>3</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(3)</b>	<b>(3)</b>	<b>(3)</b>
<b>FUNDING BALANCE ( (A-B) + (C-D) )</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation expense (not included in the above FIS)	48	49	81

## FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2016/17 budgets prepared as part of the 2015 - 2025 Long-Term Plan. Council's intentions and priorities have changed since these initial budgets, and these changes have been consulted on as part of the development of the 2016/17 Annual Plan.

# Destinational Marketing

## WHAT WE HAVE DONE

Through Venture Southland, the Destinational Marketing Activity promoted Invercargill and Southland as a quality destination for visitors, skilled migrants, investors, students, conferences and events

and assisted with visitor industry development. Through doing this, the Activity ensured that the Invercargill and Southland communities enjoyed the social and economic benefits of tourism.

## WHAT WE AGREED WITH THE COMMUNITY

Community Outcome	Council's Role	How the Activity Contributes	Customer Level of Service	Measure of Service
A City that is a great place to live and visit.	Promote Invercargill actively as a great place to live, work, play and visit.	The Destinational Marketing Activity promotes Invercargill and Southland as a quality destination for visitors, skilled migrants, investors, students, conferences and events and assists destination management and visitor industry development.	Council, through Venture Southland, works with local businesses, promotions associations, and key community stakeholder groups, as well as national and international agencies to support tourism growth and development within Invercargill.	Number of media and famil opportunities facilitated.
				Visitor nights.
				Number of tourism businesses using Venture Southland services.

## HOW DID WE MEASURE UP

Measure	Target 2016/17	Result 2016/17
Number of Media and Famil opportunities facilitated.	Eight per year	Achieved - 30 (19 media, 11 trade) (2015/16: Achieved - 40)
Visitor nights.	Increasing number	Achieved - increase of 4.7% (2015/16: Achieved - increase of 10.9%)
Number of tourism businesses using Venture Southland services.	>25	Achieved - 133 (78 trade/conference/media, 43 campaign, 12 product development) (2015/16: Achieved - 105)

Please Note: The above results are for the Southland Region, not just Invercargill.

## THE DETAILS

### 1 - Media Engagement

Working with local and international media continues to be a priority, as this creates opportunities to share the Southland story in an authentic manner at an affordable cost. For the year ended 158 tourism media pieces were published both in New Zealand and around the world. This strong performance is down to gains in the Chinese market for media, special interest media (such as transport, fashion, wilderness and food) and with integrated print and digital media.

### 2 - Develop Trade Channels

Southland continues to build its profile via trade channels, with more trade commissionable products being established and our profile being highlighted with 286 engagements with trade operators. Highlights include successful events of TRENZ and RTONZ IBO events where 79 local operators were represented, and in market representation with Tourism New Zealand in Australia and the USA. USA and China have had specifically strong development in trade activity with the addition of Southland operators to their itineraries, increased enquiries and overall increase numbers to Southland. The

cruise sector continues to be fostered, balanced with the traditional international travel patterns. Our international marketing alliance with Tourism Waitaki, Destination Clutha and Enterprise Dunedin had an active year with work in China, USA, South East Asia, Japan, Korea and UK, and announced in May to be the host of TRENZ 2018.

### 3 - Marketing and Promotional Campaigns

28 campaigns were executed in the year, with a variety of target audiences, examples include Australian tourers, North Islanders tourers, motorcyclists, local bargain hunters, Chinese family groups, event attendees, food lovers, surfers and hikers. Key messaging and content for these campaigns includes "generous southern coast", "southern scenic route", "the NZ we all dream of", "on your doorstep", "Invercargill classic motoring capital" and "classic Southland". Technology continues to drive more campaign work to be digitally oriented, hence over 80% of all campaign work includes digital integration.

## THE DETAILS CONTINUED

### 4 - Digital Marketing

The capability of digital marketing continues to grow, creating significant opportunity and challenges to keep building the digital profile of Southland. This year included the internal rebuild of Southlandnz.com, which has achieved a 66.7% growth in visitation on 2016 numbers. The numbers of operators listing their products has also grown significantly with 188 new operators listing (now totally 408). Social media continues to evolve, where Facebook requires financial investment to be balanced with effective content, meaning an increase in community of 13,059 with particular growth in Instagram. Digital marketing is reliant on having the ability to acquire/share engaging content and evolve with technological changes, so the ability to acquire, innovate and integrate with all marketing activities remains the priority.

### 5 - Engagement with Industry

The Southland tourism sector is reliant on the operators that provide the goods and services to our visitors. Venture Southland has been building

capability with workshops series on product development, market insights, working with trade, and digital marketing. Currently staff are nationally representing on boards and working groups that include I-Site NZ, RTONZ and TIA Market Insights. Locally, promotions association on Stewart Island and in the Catlins continue to be supported with advice and resources, while the team works with a approximately 8 tourism operators per day.

### 6 - Visitor Information

The visitor information function continues to adapt to changing nature of information distribution, and this year undertook a structural review for business efficiency. This resulted in improved financial performance through reduced costs, new strategic projects including joint ventures with Department of Conservation and Ministry of Business, Innovation and Employment. Investigation into the physical site commenced working alongside the Southland Museum and Art Gallery, with short term changes implemented and longer term changes in development.

# Enterprise

## WHAT WE HAVE DONE

Through Venture Southland, the Enterprise Activity identified and promoted opportunities for diversification, employment and business growth in Invercargill and Southland. The Activity worked

with regional industry sectors, business and key stakeholder groups to support economic and industry development across the Southland region.

## WHAT WE AGREED WITH THE COMMUNITY

Community Outcome	Council’s Role	How the Activity Contributes	Customer Level of Service	Measure of Service
A diverse and growing economy.	Attract a diverse range of business and industry to locate in Invercargill, targeting especially business that offer high skilled job opportunities.	The Enterprise Activity proactively identifies and promotes opportunities for diversification, employment and business growth in Invercargill and Southland.	Council, through Venture Southland works with regional industry sectors, business and key stakeholder groups to support economic and industry development across the Southland region.	Number of strategic projects facilitated.
				Number of investment opportunities facilitated.
				Business Mentor Programme.
				New Zealand Trade and Enterprise Programme delivered.

## HOW DID WE MEASURE UP

Measure	Target 2016/17	Result 2016/17
Number of strategic projects facilitated.	Six.	Achieved - 8 strategic projects were facilitated/completed (2015/16: 10 strategic projects were facilitated/completed).
Number of investment opportunities facilitated.	Two.	Achieved - 6 (2015/16: Achieved - 12).
Business Mentor Programme.	50 mentor/client matches.	Not Achieved - 36 (2015/16: Not Achieved - 36).
New Zealand Trade and Enterprise Programme delivered.	Achieve.	Achieved (2015/16: Achieved).

Please Note: The above results are for the Southland Region, not just Invercargill.

## THE DETAILS

### 1 - Strategic Projects

Broadband/Rural Broadband Initiative, Anderson House Assessment, Kakapourium Assessment, Oat Opportunity, Labour Market Strategy implementation, Curio Bay Development, Space Industry development, Aeromagnetic Survey

### 2 - Investment opportunities facilitated

6 - Venture Southland completed investment profiles for the oats opportunity, Curio Bay Heritage Centre, Singapore air force training base, additional Awarua and Lochiel ground stations, Earth Advantage and Kakapourium stage one.

### 3 - Business Mentor

36 mentor to client matches were made over the year. Venture Southland expects increases in mentor requests for 2017/18 following increasing interaction between staff and businesses in early development stage.

The original Heads of Agreement under which Venture Southland was established was for a period of five (5) years from 1 July 2001. This agreement has been renewed at varying intervals since. In August 2017, Southland District, and Gore District Council gave notice under clause 4.1 of the Venture Southland Agreement, of their intention to withdraw from the Venture Southland Agreement 2014-2017. On Monday 4 September, the four Southland Council's put out a consultation document regarding the future delivery of regional development. This document proposes the creation of a Southland Regional Development Agency as a Council Controlled Organisation, which would incorporate Venture Southland's operations. The new agency would initially comprise of the current Venture Southland operations and staff, however the Board and Chief Executive would determine the appropriate on-going staffing. The consultation period closed on 2 October 2017. As at the date of authorising this Annual Report, there are uncertainties as to Venture Southland's future."

# FUNDING IMPACT STATEMENT - ENTERPRISE

Council provides Destinalional Marketing and Enterprise activities via Venture Southland, a joint venture funded by contributions from Invercargill City, Southland District and Gore District Councils and the Community Trust of Southland. The Destinalional Marketing activity is incorporated in the Funding Impact Statement below.

	Long Term Plan 2012 - 2022 2015/16 \$'000	Long Term Plan 2015 - 2025 2016/17 \$'000	Actual 2016/17 \$'000
<b>SOURCES OF OPERATIONAL FUNDING</b>			
General rates, uniform annual general charges, rates penalties	1,670	1,770	1,770
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overheads recovered	-	-	-
Interest and dividends from investments	-	-	20
Local authorities fuel tax, fines, infringement fees, and other receipts	1,327	1,323	1,393
<b>Total operating funding (A)</b>	<b>2,997</b>	<b>3,093</b>	<b>3,183</b>
<b>APPLICATIONS OF OPERATIONAL FUNDING</b>			
Payments to staff and suppliers	2,997	3,093	3,204
Finance costs	-	-	-
Internal charges and overheads applied	-	-	-
Other operating funding applications	-	-	-
<b>Total applications of operational funding (B)</b>	<b>2,997</b>	<b>3,093</b>	<b>3,204</b>
<b>Surplus (deficit) of operational funding (A-B)</b>	<b>-</b>	<b>-</b>	<b>(21)</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
Increase (decrease) in reserves	-	-	(21)
Increase (decrease) in investments	-	-	-
<b>Total application of capital funding (D)</b>	<b>-</b>	<b>-</b>	<b>(21)</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>-</b>	<b>-</b>	<b>21</b>
<b>FUNDING BALANCE ( (A-B) + (C-D) )</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation expense (not included in the above FIS)	-	-	-

## FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2016/17 budgets prepared as part of the 2015 - 2025 Long-Term Plan. Council's intentions and priorities have changed since these initial budgets, and these changes have been consulted on as part of the development of the 2016/17 Annual Plan.

# Investment Property

## WHAT WE HAVE DONE

The Investment Property Activity managed Council's investment property to maximise the financial returns from properties. In doing so the Investment Property Activity provided a continuing source of income to

Council, ensured Council's Investment Property was maintained to an appropriate standard, and ensured the review and monitoring of the performance of individual investment properties.

## WHAT WE AGREED WITH THE COMMUNITY

Community Outcome	Council's Role	How the Activity Contributes	Customer Level of Service	Measure of Service
A diverse and growing economy.	Attract diverse range of business and industry to locate in Invercargill, targeting especially business that offer high skills job opportunities.	Investment Property supports appropriate commercial and economic development in the District environs through the purchase, sale and/or lease of land.	A commercial return is received on Endowment and Trading properties. *	Rate of return is at least equal to the current market interest rate.

\* Excluding land purchased for strategic purposes and land being prepared for disposal (rating sale).

## HOW DID WE MEASURE UP

Measure	Target 2016/17	Result 2016/17
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%)

## THE DETAILS

The return from Endowment and Trading properties was 5.93%. This is greater than the current market interest rate of 3.7%, the best interest rate available to Council across the last 12 months. This equates to an additional return on investment, above current market interest rate.



## FUNDING IMPACT STATEMENT - INVESTMENT PROPERTY

	Long Term Plan 2012 - 2022	Long Term Plan 2015 - 2025	Actual
	2015/16 \$'000	2016/17 \$'000	2016/17 \$'000
<b>SOURCES OF OPERATIONAL FUNDING</b>			
General rates, uniform annual general charges, rates penalties	(214)	(646)	(211)
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	528	1,203	509
Internal charges and overheads recovered	10	10	25
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	883	935	832
<b>Total operating funding (A)</b>	<b>1,207</b>	<b>1,502</b>	<b>1,155</b>
<b>APPLICATIONS OF OPERATIONAL FUNDING</b>			
Payments to staff and suppliers	1,132	1,215	497
Finance costs	-	118	482
Internal charges and overheads applied	10	10	25
Other operating funding applications	-	-	-
<b>Total applications of operational funding (B)</b>	<b>1,142</b>	<b>1,343</b>	<b>1,004</b>
<b>Surplus (deficit) of operational funding (A-B)</b>	<b>65</b>	<b>159</b>	<b>151</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	2,395	3,486	10,857
Gross proceeds from sale of assets	-	-	170
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>2,395</b>	<b>3,486</b>	<b>11,027</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	10,681
- to improve the level of service	-	-	-
- to replace existing assets	4,695	3,638	1,268
Increase (decrease) in reserves	(2,235)	7	(771)
Increase (decrease) in investments	-	-	-
<b>Total application of capital funding (D)</b>	<b>2,460</b>	<b>3,645</b>	<b>11,178</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(65)</b>	<b>(159)</b>	<b>(151)</b>
<b>FUNDING BALANCE ( (A-B) + (C-D) )</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation expense (not included in the above FIS)	24	25	17

## FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2016/17 budgets prepared as part of the 2015 - 2025 Long-Term Plan. Council's intentions and priorities have changed since these initial budgets, and these changes have been consulted on as part of the development of the 2016/17 Annual Plan.

# Urban Rejuvenation



## WHAT WE HAVE ACHIEVED

### **Bluff 2024 Rejuvenation Trust**

Stage 3 of the Entrance Beautification Project saw the preparation of the ground, barking and planting of State Highway 1 from the new Bluff sign back towards the town. An additional area between McGorlick Street and the 50km sign has also been planted. Council contributed funds to enable these projects.

### **Glengarry Community Action Group**

The successful Glengarry Reunion was held at Labour weekend 2016. Events included an amazing race, movie night, church service, family picnic and pop up museum. Council contributed funds to enable free entry to many of these events.

### **South Invercargill Urban Rejuvenation Trust**

The Pantry, which forms part of the South Alive Social Enterprise and Community Hub Project, opened on 13 May 2017. Council has committed to repay (over five

years) a \$200,000 loan from the Community Trust of Southland which contributed towards the purchase and upgrade of the building as well as relocating the outdoor gym and changes to on-street parking in Grace Street. Council contributed funds to enable the newsletter in The Eye to be published along with other community events such as the trolley derby and family day event, night food markets and promotional material.

### **Windsor Business Group**

Designs for planting boxes and seating for the Windsor shopping centre have been finalised and will be constructed and installed in 2017/18.

## FUNDING IMPACT STATEMENT - URBAN REJUVENATION

	Long Term Plan 2012 - 2022	Long Term Plan 2015 - 2025	Actual
	2015/16 \$'000	2016/17 \$'000	2016/17 \$'000
<b>SOURCES OF OPERATIONAL FUNDING</b>			
General rates, uniform annual general charges, rates penalties	266	271	284
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	80
Fees and charges	-	-	-
Internal charges and overheads recovered	-	-	-
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
<b>Total operating funding (A)</b>	<b>266</b>	<b>271</b>	<b>364</b>
<b>APPLICATIONS OF OPERATIONAL FUNDING</b>			
Payments to staff and suppliers	212	217	205
Finance costs	24	22	20
Internal charges and overheads applied	-	-	-
Other operating funding applications	-	-	-
<b>Total applications of operational funding (B)</b>	<b>236</b>	<b>239</b>	<b>225</b>
<b>Surplus (deficit) of operational funding (A-B)</b>	<b>30</b>	<b>32</b>	<b>139</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(30)	(32)	(46)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(30)</b>	<b>(32)</b>	<b>(46)</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
Increase (decrease) in reserves	-	-	93
Increase (decrease) in investments	-	-	-
<b>Total application of capital funding (D)</b>	<b>-</b>	<b>-</b>	<b>93</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(30)</b>	<b>(32)</b>	<b>(139)</b>
<b>FUNDING BALANCE ( (A-B) + (C-D) )</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation expense (not included in the above FIS)	-	-	-

## FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2016/17 budgets prepared as part of the 2015 - 2025 Long-Term Plan. Council's intentions and priorities have changed since these initial budgets, and these changes have been consulted on as part of the development of the 2016/17 Annual Plan.

# City Centre Revitalisation



## WHAT WE HAVE ACHIEVED

Council has been working to strengthen Invercargill's city centre through the adoption and implementation of a Retail Strategy. The Retail Strategy incorporates past reports by Kobus Mentz, Craig Pocock, the CBD Renewal Project and recommendations from the Southland Regional Development Strategy (SoRDS).

The Retail Strategy has helped to ensure that the Council is systematically working towards short and long term goals to revitalise Invercargill's city centre. These have included the development of new events in the city centre, such as the Matariki Festival; and continuation of existing events, including the Christmas Festival and Halloween Trick-or-Treating.

The Council has also worked with a brand designer to create a new identity for the city centre. This new brand identity was developed and implemented to help foster a new sense of pride and confidence in

the city. The brand has given Invercargill the ability to showcase our achievements and highlight the city as a place where anything is possible in life and business.

Each year Council will continue to achieve further actions points in the Retail Strategy and progressively add more, as they are identified, to continue improving the city centre, both as an attractive place for our residents and our businesses.

No further streetscape development works have been undertaken on the CBD rejuvenation. Council continues to work with other stakeholders in identifying the location of key building infrastructure and the timing of street improvements. Earlier design work for Kelvin Street remains at the concept stage ready for final design when Council agrees it is the right time to proceed.



## FUNDING IMPACT STATEMENT - CITY CENTRE REVITALISATION

	Long Term Plan 2015 - 2025 2015/16 \$'000	Long Term Plan 2015 - 2025 2016/17 \$'000	Actual 2016/17 \$'000
<b>SOURCES OF OPERATIONAL FUNDING</b>			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	136	192	183
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overheads recovered	-	-	-
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
<b>Total operating funding (A)</b>	<b>136</b>	<b>192</b>	<b>183</b>
<b>APPLICATIONS OF OPERATIONAL FUNDING</b>			
Payments to staff and suppliers	12	14	-
Finance costs	87	122	-
Internal charges and overheads applied	-	-	-
Other operating funding applications	-	-	-
<b>Total applications of operational funding (B)</b>	<b>99</b>	<b>136</b>	<b>-</b>
<b>Surplus (deficit) of operational funding (A-B)</b>	<b>37</b>	<b>56</b>	<b>183</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	617	2,305	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>617</b>	<b>2,305</b>	<b>-</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	1,649	2,361	-
Increase (decrease) in reserves	(995)	-	183
Increase (decrease) in investments	-	-	-
<b>Total application of capital funding (D)</b>	<b>654</b>	<b>2,361</b>	<b>183</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(37)</b>	<b>(56)</b>	<b>(183)</b>
<b>FUNDING BALANCE ( (A-B) + (C-D) )</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation expense (not included in the above FIS)	-	-	-

## FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2016/17 budgets prepared as part of the 2015 - 2025 Long-Term Plan. Council's intentions and priorities have changed since these initial budgets, and these changes have been consulted on as part of the development of the 2016/17 Annual Plan.



# Council Controlled Organisations

*Ngā rōpū whakahaere a Kaunihera*



Council Controlled Organisations and Council Organisations provide opportunities for councils to provide services and activities. A Council Controlled Organisation is a company or an organisation in which a council, or councils, hold 50% or more of the voting rights or can appoint 50% or more of the trustees, directors or managers. A Council Controlled Trading Organisation is similar, but its main focus is trading. A Council Organisation is the same as a Council Controlled Organisation, but does not require 50% or more control.

Each Council Controlled Organisation prepares a Statement of Intent which sets out, for the benefit of its shareholders, its mission and objectives for each financial year. The following Council Controlled Organisations are included in this section:

- Invercargill City Holdings Limited
- Southland Museum and Art Gallery Trust
- Invercargill Venue and Events Management Limited
- Invercargill City Charitable Trust
- Bluff Maritime Museum Trust

# Invercargill City Holdings Limited

## HOW DID WE MEASURE UP

Invercargill City Holdings Limited (ICHL) is wholly owned by Invercargill City Council. There was no proposal to change the ownership or control of ICHL in 2016/17.

ICHL provide input into the Statement of Intent of each of its subsidiaries to ensure that they reflect the objectives and policies of Invercargill City

Council in such manner and to such extent as ICHL is lawfully entitled to do so.

ICHL has turned over a greater trading surplus than last financial year, and the dividend that Invercargill City Council receives has increased in turn. This income for Council offsets the amount needed to be raised through rates.

Financial Performance Targets – Rate of return on equity funds	2016/17 Targets	2016/17 Result
Invercargill City Holdings Limited - % Before Tax	12.26 % before tax	13.04% before tax (2015/16: Achieved 13.73%)
Invercargill City Holdings Limited - % After Tax	8.83 % after tax	9.92% after tax (2015/16: Achieved - 10.51%)

# Awarua Industrial Development

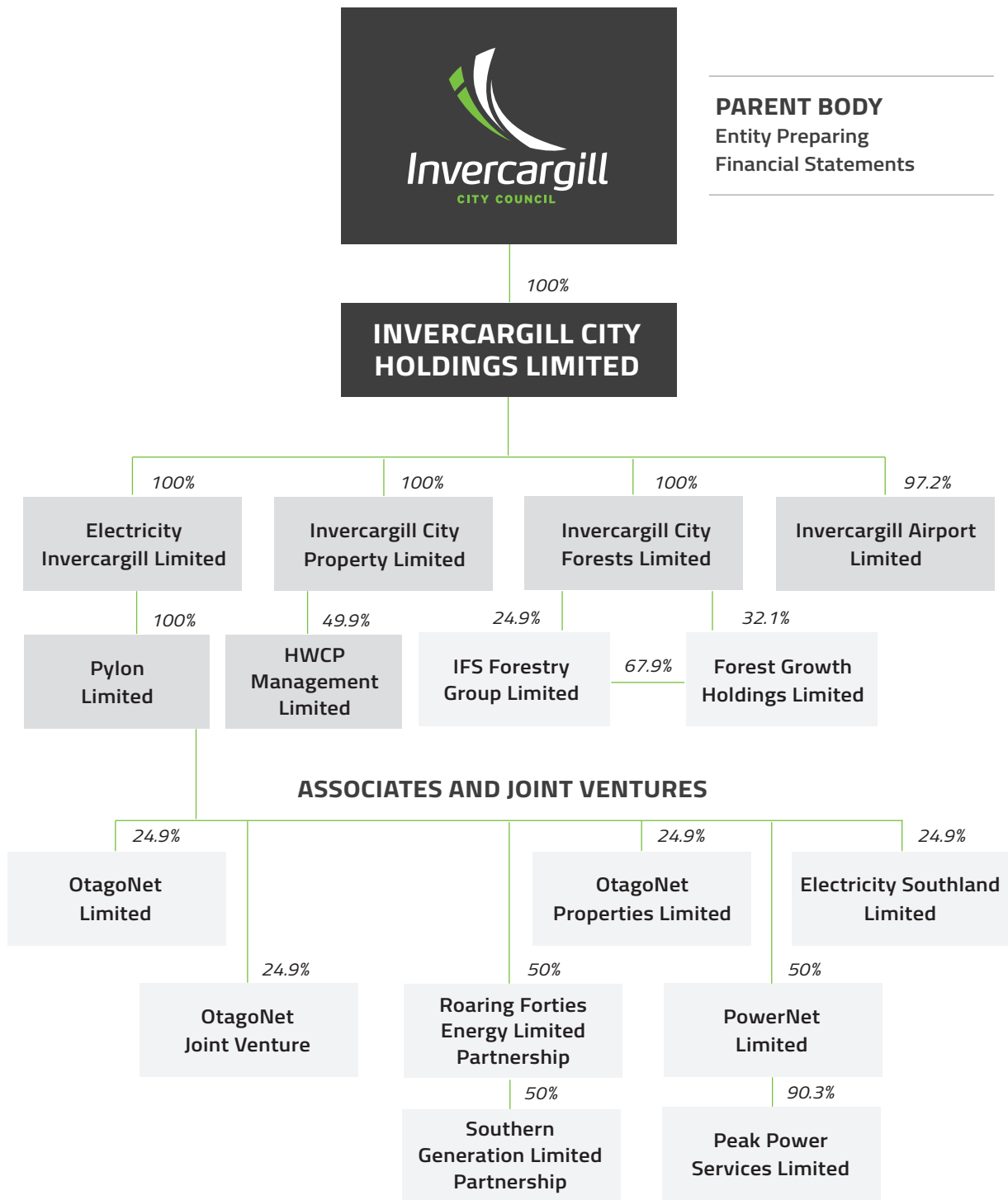
## WHAT WE HAVE ACHIEVED

Council purchased 611.75 hectares of land at Awarua for the purpose of encouraging the establishment of industrial activities in Invercargill which will increase employment and revenue in the District. Invercargill City Properties Limited (ICPL) is a subsidiary of Invercargill City Holdings Limited, a Council Controlled Organisation.

ICPL had been working on a marketing campaign for Awarua Industrial Estate, and was responsible for any negotiations relating to the sale or lease of the land within it. This marketing contract with ICPL expired on 1 May 2017 and has reverted to the Council's Investment Property department.



# Group Structure for Invercargill City Holdings Ltd



# Southland Museum & Art Gallery

Southland Museum and Art Gallery Trust is a Council Controlled Organisation. There was no proposal to change the ownership or control of the Trust in 2016/17.

The scope and nature of the activities that the Southland Museum and Art Gallery Trust intended to provide was to focus the Museum as a regional facility in the Community and to provide a variety of experiences to the people of Southland that they would not otherwise have access to. This was achieved during the 2016/17 year by professionally managing and developing the collection so that it

builds on its existing strengths, maintaining vibrant, innovative public programmes, widening its community support base, providing increased access to the Community, recognising the cultural identity and the place of the tangata whenua in our Community, maintaining a strong customer focus in its marketing and promotional activities and through Museum commercial trading, building an awareness of the collections so that the Southland Museum and Art Gallery becomes an immutable part of all marketing and promotion of Southland.

## HOW DID WE MEASURE UP

Measure	2016/17 Target	2016/17 Result
Promotion of the Southland Museum and Art Gallery as a quality venue to visit for residents and visitors.	Annual visitor numbers exceed 200,000/ annum.	Achieved - 232,580 (2015/16: Achieved: 248,463)
Development and implementation of an annual visitor experience programme.	A minimum of 6 short-term, out-of-house exhibitions, including 4 in the community access gallery, are presented annually. In-house exhibitions shall fill the remaining gallery time.	Achieved - 13 short term exhibitions, including 8 in the Community Access Gallery (2015/16: Achieved: 13 including 8 in the community gallery )
Collections are maintained in optimal conditions of their long term preservation.	Prepare for building refurbishment and extension to enable internal environmental conditions to meet national/international guidelines.	Achieved Temp in range (19°C +/- 1°C), 100% of time Humidity in range (50% +/- 5%), 100% of time  (2015/16: Achieved: 100% of time)

## THE DETAILS

Visitor numbers are down compared to last year. This is likely to be due to variable interest in art gallery and museum exhibitions and there has been a noticeable reduction in people visiting the café in the last six months.

Exhibition implementation has achieved and exceeded the measure. The result does not include three small photographic exhibitions from the museum's collection which have also been provided. Some of the short term

exhibitions have been developed from the museum collection instead of using touring shows. The increase of staff time and effort to create internal exhibitions is greatly increased over using touring shows.

The air conditioning and heating system has been under stress to maintain conditions at times due to aging equipment and some equipment faults. These are corrected as soon as faults are detected.

# Invercargill Venue & Events Management Limited

139

Invercargill Venue and Events Management Limited's purpose is to operate and market the Civic Theatre, Scottish Hall and Rugby Park to promote the most appropriate venue for events. Invercargill Venue and Events Management Limited is a Council Controlled Organisation.

be provided by Invercargill Venue and Events Management are those of a venue management, operations and promotions company. This was achieved during the 2016/17 year by managing and operating the Civic Theatre and promoting events in Invercargill.

The nature and scope of activities intended to

## HOW DID WE MEASURE UP

Measure	2016/17 Target	2016/17 Result
Increasing public awareness and usage of the venues for a range of theatrical, cultural, social and sporting experiences.	Book at least twelve major shows (nationally or internationally significant) per year.	30 major shows - Achieved (2015/16: 16 major shows - Achieved)
	Increase bookings of the Civic Theatre complex by local groups and performers.	28 local bookings - Not Achieved (2015/16: 28 local bookings - Achieved)
	Increase bookings and occupancy rate of each venue.	See "The Details" section for results

## THE DETAILS



## WHAT ELSE HAVE WE DONE

This is the company's second year of managing Rugby Park Stadium in Invercargill.

The company is continuing to work with historic hirers of the venue to ensure continued use by existing hirers (i.e. Rugby Southland and The Highlanders), along with promoting the venue to attract new hirers and events. This year we completed a joint venture with Stadium Southland, and hosted Nitro Circus.

Relationships have been established with a large number of Southland community groups, as well as Rugby Southland, to ensure current bookings are retained, and new ones are sought.

Following on from our initial maintenance programme which was undertaken to raise the standard of the venue to a level which will ensure its viability as a hireable venue for the future, we are continuing to undertake venue maintenance, along with undertaking some improvements.

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# Invercargill City Charitable Trust (ICCT)

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Invercargill City Charitable Trust (ICCT) is established to promote charitable purposes. The objective for the Invercargill District of particular focus is the provision of public amenities for the general benefit of the people of the Invercargill City. This includes development of athletic sports, wholesome recreations and amenities.

The ICCT promotes and operates the annual Southland Buskers Festival run in February each year.

In July of 2016 the Invercargill City Charitable Trust was gifted the Rugby Park facility from the Southland Outdoor Stadium Trust. ICCT paid a \$400,000 grant to enable the Southland Outdoor Stadium Trust to discharge its mortgage with Community Trust of Southland. ICCT is now tasked with maintaining the capital asset, the Rugby Park facilities, to the required standard for the various events held there. The operation of the Rugby Park has been contracted to Invercargill Venue and Event Management

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# Bluff Maritime Museum Trust

The Bluff Maritime Museum Trust's vision is to make the Bluff Maritime Museum a must-see attraction for residents and visitors.

Measure of Service	2016/17 Target	2016/17 Result
Maintain strong community relationships over issues relating to the collections.	The museum is open for a minimum of six and a half hours each day during the summer months and five and a half hours Monday to Friday during the winter months.	Achieved. (2015/16: Achieved)

## THE DETAILS

The Bluff Maritime Museum Trust contributes towards the achievement of Invercargill City's Community Outcomes. The Trust receives grants from the Southland Regional Heritage Committee, Environment Southland, the Invercargill City Council and the Bluff Community Board.

The Museum continues to offer engaging displays and interesting collections that have further contributed to their success.



# Financial Management

*Ō mātou tahua pūtea*



The Council must under the Local Government Act, manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently, and in a manner that sustainably promotes the current and future interests of the Community.

This section includes:

- Statement of Financial Position
- Statement of Comprehensive Revenue and Expense
- Statement of Changes in Equity
- Cashflow Statement
- Notes to the Financial Statements
- Statement of Accounting Policies

# Financial Statements

## 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)
	Note					
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	8	7,796	4,368	8,519	12,899	11,378
Receivables	9	11,658	11,488	12,090	8,839	10,321
Prepayments		665	-	466	776	550
Tax receivables		-	-	-	1	5
Inventories	10	753	669	676	760	681
Non-current assets held for resale	11	1,803	-	-	1,803	-
Advances to associates and joint ventures		-	-	-	250	-
Other financial assets	18	11,503	-	20,275	13,003	20,275
<b>Total current assets</b>		<b>34,178</b>	<b>16,525</b>	<b>42,026</b>	<b>38,331</b>	<b>43,210</b>
<b>Non-current assets</b>						
Work in progress	12,13,15	13,945	-	3,865	15,807	6,466
Property, plant and equipment	12	782,973	715,473	640,503	918,424	756,608
Intangible assets	13	870	339	837	870	837
Forestry assets	14	3,426	2,481	2,893	23,293	20,152
Investment property	15	25,194	35,089	26,458	29,029	30,236
Investment in associates and joint ventures	16,17	-	-	-	86,040	86,437
Advances to associates and joint ventures		-	-	-	16,163	20,350
Investment in CCOs and similar entities	18	36,069	36,069	36,069	-	-
Other financial assets - Other investments	18	41,198	51,479	30,735	13,806	4,827
Other financial assets - Derivative financial instruments	18	207	-	-	254	-
Deferred tax assets	23	-	-	-	760	1,358
<b>Total non-current assets</b>		<b>903,882</b>	<b>840,930</b>	<b>741,360</b>	<b>1,104,446</b>	<b>927,271</b>
<b>TOTAL ASSETS</b>		<b>938,060</b>	<b>857,455</b>	<b>783,386</b>	<b>1,142,777</b>	<b>970,481</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Trade and other payables	19	10,143	10,291	9,608	14,319	16,767
Provisions	20	112	84	112	112	112
Employee benefit liabilities	21	2,578	2,296	2,496	2,617	2,522
Borrowings	22	35,786	3,649	21,248	35,805	132,111
Tax payable		-	-	-	580	1,028
Derivative financial instruments	18	188	6	11	201	139
<b>Total current liabilities</b>		<b>48,807</b>	<b>16,326</b>	<b>33,475</b>	<b>53,634</b>	<b>152,679</b>
<b>Non-current liabilities</b>						
Provisions	20	816	743	816	816	816
Employee benefit liabilities	21	1,231	809	1,238	1,231	1,238
Borrowings	22	50,200	99,023	50,000	128,662	20,000
Deferred tax liabilities	23	-	-	-	24,725	22,619
Derivative financial instruments	18	521	647	1,111	3,226	5,664
Total non-current liabilities		52,768	101,222	53,165	158,660	50,337
<b>TOTAL LIABILITIES</b>		<b>101,575</b>	<b>117,548</b>	<b>86,640</b>	<b>212,294</b>	<b>203,016</b>
<b>EQUITY</b>						
Retained earnings	24	393,975	397,502	398,739	459,036	443,731
Other reserves	24	442,510	342,405	298,007	471,447	323,734
<b>Total equity</b>		<b>836,485</b>	<b>739,907</b>	<b>696,746</b>	<b>930,483</b>	<b>767,465</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>938,060</b>	<b>857,455</b>	<b>783,386</b>	<b>1,142,777</b>	<b>970,481</b>
Total equity attributable to the Council		836,485	739,907	696,746	927,632	764,614
Total equity attributable to the Minority Interests		-	-	-	2,851	2,851
<b>TOTAL EQUITY</b>		<b>836,485</b>	<b>739,907</b>	<b>696,746</b>	<b>930,483</b>	<b>767,465</b>

The accompanying notes form an integral part of these financial statements



## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended June 30, 2017

	Note	Council Actual 2017 (\$000)	Council Budget 2017 (\$000)	Council Actual 2016 (\$000)	Group Actual 2017 (\$000)	Group Actual 2016 (\$000)
<b>Revenue</b>						
Rates revenue	1	49,003	48,166	47,883	49,003	47,883
Fines		279	559	448	279	448
Subsidies and grants		6,742	6,936	7,863	6,877	7,955
Direct charges revenue		20,451	20,129	19,464	53,488	50,243
Rental revenue		2,013	1,498	1,851	2,013	1,851
Finance revenue		1,970	2,090	1,043	2,459	1,855
Dividends		5,300	5,300	4,700	-	-
Property, plant and equipment acquired in non-exchange transactions		99	-	-	-	-
Total revenue (excluding gains)		85,857	84,678	83,252	114,119	110,235
<b>Expenditure</b>						
Employee expenses	4	23,602	23,202	23,012	25,001	24,372
Depreciation and amortisation		23,527	23,897	21,890	29,585	27,042
General expenses	5	37,095	38,814	36,490	56,071	51,723
Finance expenses		2,738	3,842	2,253	6,966	5,931
Total expenditure		86,962	89,755	83,645	117,623	109,068
<b>Other gains/(losses)</b>						
Other gains/(losses)	2	1,073	696	1,245	21,599	3,604
Operating surplus (deficit) before tax		(32)	(4,381)	852	18,095	4,771
Share of associate's and joint venture's surplus (deficit)		-	-	-	4,830	3,681
<b>Surplus (deficit) before tax</b>		(32)	(4,381)	852	22,925	8,452
Income tax expense	7	-	-	-	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
		(32)	(4,381)	852	19,937	5,678
<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

The accompanying notes form an integral part of these financial statements

**STATEMENT OF CHANGES IN EQUITY**

For the year ended June 30, 2017

		Council	Council	Council	Group	Group
	Note	Actual 2017 (\$000)	Budget 2017 (\$000)	Actual 2016 (\$000)	Actual 2017 (\$000)	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>24</b>	<b>836,485</b>	<b>739,907</b>	<b>696,746</b>	<b>930,483</b>	<b>767,465</b>
Attributable to:						
Invercargill City Council		836,485	739,907	696,746	927,632	764,614
Minority interest		-	-	-	2,851	2,851
Balance at 30 June		836,485	739,907	696,746	930,483	767,465

The accompanying notes form an integral part of these financial statements

## CASH FLOW STATEMENT

For the year ended June 30, 2017

		Council	Council	Council	Group	Group
	Note	Actual 2017 (\$'000)	Budget 2017 (\$'000)	Actual 2016 (\$'000)	Actual 2017 (\$'000)	Actual 2016 (\$'000)
<b>Cash flows from operating activities</b>						
Receipts from rates revenue		49,212	48,166	48,183	49,212	48,183
Receipts from other revenue		30,102	27,323	28,909	59,363	59,047
Interest received		1,970	2,090	1,043	3,324	2,876
Dividends received		4,700	5,300	4,200	-	-
Payments to suppliers and employees		(60,538)	(60,268)	(59,715)	(79,190)	(78,193)
Interest paid		(2,738)	(3,842)	(2,253)	(7,558)	(6,349)
Income tax paid (refund)		-	-	-	(2,016)	(2,316)
Goods and services tax (net)		386	-	3	225	663
Net cash flows from operating activities	25	23,094	18,769	20,370	23,360	23,911
<b>Cash flows from investing activities</b>						
Proceeds from sale of property, plant and equipment		71	139	353	(19)	448
Proceeds from sale of investment property		755	-	151	755	151
Proceeds from sale of investments		-	5,094	-	-	4,700
Purchase of property, plant and equipment		(36,827)	(27,752)	(18,499)	(42,576)	(32,515)
Purchase of investments		(1,662)	(4,521)	(40,074)	(1,663)	(10,114)
Purchase of biological assets		-	-	-	-	(960)
Purchase of investment property		(759)	-	(576)	(759)	(576)
Purchase of intangible assets		(129)	-	(62)	(129)	(62)
Advances made to non subsidiaries		-	-	-	-	1,800
Investments in associates		-	-	-	6,035	(36,016)
Net cash flows from investing activities		(38,551)	(27,040)	(58,707)	(32,683)	(73,144)
<b>Cash flows from financing activities</b>						
Proceeds from borrowings		28,595	11,189	42,387	30,614	54,093
Repayment of borrowings		(13,861)	(2,969)	-	(19,770)	(7,300)
Net cash flows from financing activities		14,734	8,220	42,387	10,844	46,793
<b>Net (decrease) increase 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>	8	7,796	4,368	8,519	12,899	11,378

The accompanying notes form an integral part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2017

### 1 Rates revenue

	Council Actual 2017 (\$000)	Council Actual 2016 (\$000)
General rates	6,607	6,672
Rates penalties	594	612
	7,201	7,284
<b>Targeted rates attributable to activities</b>		
Water	6,638	6,461
Sewerage and drainage	8,270	8,140
Refuse and recycling	4,176	3,839
Other activities	22,804	22,247
Total revenue from rates	49,089	47,971

### Rates remissions

Rates revenue is shown net of rates remissions. The purpose of granting rates remission to an organisation is to:

- assist the organisation's survival, and
- make membership of the organisation more accessible to the general public, particularly disadvantaged groups. These include children, youth, young families, aged people, those with disabilities and economically disadvantaged people.

As required by the Local Government (Rating) Act 2002, details of rates remitted during the year are as follows:

	Council Actual 2017 (\$000)	Council Actual 2016 (\$000)
Halls, museums and other similar groups	4	4
Organisations whose object is the health and well-being of the community	27	31
Organisations whose principal object is the promotion of the arts or recreation	37	37
Organisations using premises as a showground or meeting venue	-	-
Organisations using premises for gaming and sport	2	-
Organisations using premises for branches of the arts	16	16
Total remissions	86	88
Rates revenue net of remissions	49,003	47,883

In accordance with the Local Government (Rating) Act 2002 certain properties cannot be rated for general rates. This includes schools, places of religious worship, public gardens and reserves. These non-rateable properties, where applicable, may be subject to targeted rates in respect of sewerage, water, refuse and sanitation. Non-rateable land does not constitute a remission under the Council's rates remission policy.

## 1 Rates revenue (continued)

### Rating Base Information

The following disclosures are made in accordance with the Local Government Act 2002 Amendment Act 2014, Clause 30A of Schedule 10.

	<b>Council Actual 2017</b>	<b>Council Actual 2016</b>
Number of rating units within the Invercargill City Council	25,196	25,005
	<b>(\$000)</b>	<b>(\$000)</b>
Total rateable land value within the Invercargill City Council	2,560,305	2,495,528
Total rateable capital value within the Invercargill City Council	7,245,108	6,831,499

## 2 Other gains and losses

	<b>Council Actual 2017 (\$000)</b>	<b>Council Actual 2016 (\$000)</b>	<b>Group Actual 2017 (\$000)</b>	<b>Group Actual 2016 (\$000)</b>
Change in fair value and harvesting of biological assets (refer Note 14)	533	542	4,686	2,818
Change in fair value of investment property (refer Note 15)	535	34	592	(188)
Change in fair value of investments	29	212	29	212
Change in fair value of carbon credits	-	219	-	219
Net gain/(loss) on sale of property, plant and equipment	(24)	238	(431)	(331)
Reversal of prior impairment loss	-	-	16,723	-
Gain/(Loss) on foreign exchange rate conversion	-	-	-	874
Total other gains and losses	1,073	1,245	21,599	3,604

### 3 Reconciliations of Funding Impact Statements to Statement of Comprehensive Revenue & Expense

#### Rates revenue reconciliation from Funding Impact Statements to Statement of Comprehensive Revenue & Expense

	Council Actual 2017 (\$000)	Council Actual 2016 (\$000)
General rates, uniform annual general charges, rates penalties	7,115	7,196
Targeted rates	41,888	40,687
<b>Total rates income as per Funding Impact Statement</b>	<b>49,003</b>	<b>47,883</b>
Rates excluding targeted water supply rates	42,365	41,422
Rates - Targeted water supply rates	6,638	6,461
<b>Total rates income as per Statement of Comprehensive Revenue &amp; Expense</b>	<b>49,003</b>	<b>47,883</b>

### 3 Reconciliations of Funding Impact Statements to Statement of Comprehensive Revenue & Expense (continued)

#### Operating revenue reconciliation from Funding Impact Statements to Statement of Comprehensive Revenue & Expense

	Council Actual 2017 (\$000)	Council Actual 2016 (\$000)
Total operating funding as per Funding Impact Statement	85,093	81,356
PLUS: Capital funding - Subsidies and grants for capital expenditure		
- Roading activity	2,815	3,955
LESS: Share of joint ventures' revenue	(2,150)	(2,059)
PLUS: Non cash capital additions		
- Vested assets	99	-
PLUS - Non cash revaluations		
- Investment property revaluation gain/(loss)	535	34
- Biological assets revaluation gain/(loss)	533	542
- Investments revaluation gain/(loss)	29	212
- Carbon credits revaluation gain/(loss)	-	219
- De-recognition of property, plant and equipment gain/(loss)	(24)	238
<b>Total revenue funding as per Statement of Comprehensive Revenue and Expense</b>	<b>86,930</b>	<b>84,497</b>
Rates excluding targeted water supply rates	42,365	41,422
Targeted rates for water supply	6,638	6,461
Subsidies and grants	6,742	7,863
Other revenue	28,142	26,463
Change in fair value and harvesting of biological assets	533	542
Change in fair value of investment property	535	34
Change in fair value of investments	29	212
Change in fair value of carbon credits	-	219
Gain/(loss) on sale of assets	(24)	238
Finance revenue	1,970	1,043
<b>Total revenue</b>	<b>86,930</b>	<b>84,497</b>

### 3 Reconciliations of Funding Impact Statements to Statement of Comprehensive Revenue & Expense (continued)

#### Operating revenue reconciliation from Funding Impact Statements to Statement of Comprehensive Revenue & Expense (continued)

	<b>Council Actual 2017 (\$000)</b>	<b>Council Actual 2016 (\$000)</b>
Total applications of operating funding as per Funding Impact Statement	65,706	63,844
LESS: Share of joint ventures' expenses	(2,271)	(2,089)
	<b>63,435</b>	<b>61,755</b>
Per Statement of Comprehensive Revenue and Expense		
Employee benefit expenses	23,602	23,012
Other expenses	37,095	36,490
Finance expenses	2,738	2,253
	<b>63,435</b>	<b>61,755</b>
Plus depreciation expenses (not in Funding Impact Statement)	23,527	21,890
Total operating expenditure including finance costs as per Statement of Comprehensive Revenue and Expense	<b>86,962</b>	<b>83,645</b>

### 4 Employee expenses

	<b>Council Actual 2017 (\$000)</b>	<b>Council Actual 2016 (\$000)</b>	<b>Group Actual 2017 (\$000)</b>	<b>Group Actual 2016 (\$000)</b>
Wages and salaries	22,988	22,301	24,374	23,661
Contributions to defined contribution plans	610	595	610	595
Increase/(Decrease) in employee benefits	4	116	17	116
Total employee expenses	23,602	23,012	25,001	24,372

#### Employee severance payments:

Council made four severance payments during the year ended 30 June 2017 totalling \$72,175 comprising of \$1,000, \$11,750, \$15,000 and \$44,425.

Council did not make any severance payments during the year ended 30 June 2016.



## 5 General expenses

	Council Actual 2017 (\$000)	Council Actual 2016 (\$000)	Group Actual 2017 (\$000)	Group Actual 2016 (\$000)
Audit fees (refer Note 6)	135	183	327	351
Bad and doubtful debts	364	-	364	-
Directors' fees	-	-	644	682
Operating lease expenses	179	153	179	153
Impairment of investment in associate	-	-	279	-
Direct operating expenses (including repairs and maintenance) arising on investment properties	906	816	1,008	898
Other expenses	35,511	35,338	53,270	49,639
Total general expenses	37,095	36,490	56,071	51,723

## 6 Auditor remuneration

	Council Actual 2017 (\$000)	Council Actual 2016 (\$000)	Group Actual 2017 (\$000)	Group Actual 2016 (\$000)
<b>Auditor's remuneration to Audit New Zealand comprises:</b>				
- Audit of financial statements	130	126	218	203
- Other audit-related services	5	45	5	45
<b>Auditor's remuneration to other auditors comprises:</b>				
- Audit of financial statements	-	-	48	38
- Other audit-related services	-	12	56	65
Total auditor remuneration	135	183	327	351

Other audit-related services for the audit or review of financial and non financial information other than financial reports including the Long-Term Plan and the debenture trust deed.

**7 Income tax expense**

	<b>Council Actual 2017 (\$000)</b>	<b>Council Actual 2016 (\$000)</b>	<b>Group Actual 2017 (\$000)</b>	<b>Group Actual 2016 (\$000)</b>
<b>Current tax expense</b>				
Current period	-	-	1,572	2,084
Total current tax expense	-	-	1,572	2,084
<b>Deferred tax expense</b>				
Origination and reversal of temporary differences	-	-	991	367
Other	-	-	425	323
Total deferred tax expense	-	-	1,416	690
Total income tax expense	-	-	2,988	2,774
<b>Reconciliation of effective tax rate</b>				
Profit for the period excluding income tax	(32)	852	22,925	8,452
Permanent differences	-	-	-	-
	(32)	852	22,925	8,452
Tax at 28%	(9)	239	6,420	2,251
Non-deductible expenses	9	-	11	-
Tax exempt income	-	(239)	(4,575)	(251)
Group loss offset	-	-	(334)	(89)
Change in recognised permanent differences	-	-	1,673	901
Under/(Over) provided in prior periods	-	-	(207)	(38)
Total income tax expense	-	-	2,988	2,774

Within the Group; Invercargill City Holdings Limited will transfer tax losses to Electricity Invercargill Limited of \$136,587 (2016: \$1,613,549).

From the above tax position of loss offsets transferred to other Group companies for the year ended 30 June 2017, there are no unrecognised tax losses of the Group (2016: \$Nil).

**Imputation credits**

	<b>Group Actual 2017 (\$000)</b>	<b>Group Actual 2016 (\$000)</b>
Imputation credits available for use in subsequent periods	7,848	12,164

## 8 Cash and cash equivalents

	Council Actual 2017 (\$000)	Council Actual 2016 (\$000)	Group Actual 2017 (\$000)	Group Actual 2016 (\$000)
Bank balances	7,792	8,515	12,894	11,372
Cash on hand	4	4	5	6
Cash and cash equivalents in the Statement of Cash Flows	7,796	8,519	12,899	11,378

The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value.

## 9 Receivables

	Council Actual 2017 (\$000)	Council Actual 2016 (\$000)	Group Actual 2017 (\$000)	Group Actual 2016 (\$000)
Rates and water receivables	1,767	1,976	1,767	1,976
Related party receivables	5,385	4,814	110	271
Sundry debtors	4,299	4,487	6,822	6,893
Goods and services tax	601	861	534	1,229
	12,052	12,138	9,233	10,369
Less provision for impairment of receivables	(394)	(48)	(394)	(48)
Total receivables	11,658	12,090	8,839	10,321
<b>Total receivables comprises:</b>				
Receivables from non-exchange transactions	5,788	6,278		
Receivables from exchange transactions	5,870	5,812		
Total receivables	11,658	12,090		

Receivables from non-exchange transactions includes outstanding amounts for rates, grants, infringements, and fees and charges that are partly subsidised by rates.

Receivables from exchange transactions includes outstanding amounts for commercial sales and fees and charges that have not been subsidised by rates.

The carrying value of trade and other receivables approximates their fair value.

There is no concentration of credit risk with respect to receivables outside the Group, as the Group has a large number of customers.

The Council does not provide for any impairment on rates receivables as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. Ratepayers can apply for payment plan options in special circumstances. Where such payment plans are in place debts are discounted to the present value of future repayments.

These powers allow the Council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the Court's judgement, then the Council can apply to the Registrar of the High Court to have the judgement enforced by sale or lease of the rating unit.

**9 Receivables (continued)**

	<b>Council Actual 2017 (\$000)</b>	<b>Council Actual 2016 (\$000)</b>	<b>Group Actual 2017 (\$000)</b>	<b>Group Actual 2016 (\$000)</b>
Current (Less than 3 months)	11,430	12,090	8,611	10,321
3 to 6 months	228	-	228	-
6 to 9 months	-	-	-	-
9 to 12 months	-	-	-	-
> 12 months	-	-	-	-
Carrying amount	11,658	12,090	8,839	10,321

As of 30 June 2017 and 2016, all overdue receivables, except for rates receivables, have been assessed for impairment and appropriate provisions applied. The Council holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

The impairment provision has been calculated based on expected losses for the Council's pool of debtors. Expected losses have been determined based on an analysis of the Council's losses in previous periods, and review of specific debtors.

Movements in the provision for impairment of receivables and community loans are as follows:

	<b>Council Actual 2017 (\$000)</b>	<b>Council Actual 2016 (\$000)</b>	<b>Group Actual 2017 (\$000)</b>	<b>Group Actual 2016 (\$000)</b>
At 1 July	(48)	(51)	(48)	(51)
Additional provisions made during the year	(346)	-	(346)	-
Receivables written off during the period	-	3	-	3
At 30 June	(394)	(48)	(394)	(48)

**10 Inventories**

	<b>Council Actual 2017 (\$000)</b>	<b>Council Actual 2016 (\$000)</b>	<b>Group Actual 2017 (\$000)</b>	<b>Group Actual 2016 (\$000)</b>
<b>Inventory held for distribution or provision of services at charge or nominal charge</b>				
Raw materials and consumables	223	181	223	181
Finished goods	436	404	436	404
	659	585	659	585
<b>Inventory held for sale or provision of services at commercial terms</b>				
Finished goods	94	91	101	96
	94	91	101	96
Total inventories	753	676	760	681

The carrying amount of inventories held for distribution are measured at cost less any loss of service potential as at 30 June, 2017 amounted to \$Nil (2016: \$Nil).

The write-down of inventories held for distribution amounted to \$Nil (2016: \$Nil), while reversals of write-downs amounted to \$Nil (2016: \$Nil).

The carrying amount of inventories pledged as security for liabilities is \$Nil (2016: \$Nil).

**11 Non-current assets held for resale**

	<b>Council Actual 2017 (\$000)</b>	<b>Council Actual 2016 (\$000)</b>	<b>Group Actual 2017 (\$000)</b>	<b>Group Actual 2016 (\$000)</b>
Land	1,050	-	1,050	-
Buildings	753	-	753	-
Total non-current assets held for resale	1,803	-	1,803	-

The Council owned properties at 13 and 17 Clyde Street and 26 Liddel Street have been presented as held for sale following the approval by the Council on 8 November, 2016 to sell the properties. The completion date of the sale is expected to be 1 November, 2017.

## 12 Property, plant and equipment

2017

	\$000 Cost/ Revaluation	\$000 Accumulated depreciation and impairment charges	\$000 Carrying amount	\$000 Additions and transfers	\$000 Disposals and Derecognition	\$000 Current year disposals accumulated depreciation
	1-Jul-16	1-Jul-16	1-Jul-16			
<b>Council operational assets</b>						
Land	16,608	-	16,608	6	(11)	-
Buildings	69,986	(3,843)	66,143	291	-	-
Library books	5,554	(1,434)	4,120	401	-	-
Plant and equipment	13,476	(8,518)	4,958	923	(91)	80
Motor vehicles	4,511	(2,734)	1,777	832	(423)	350
Furniture and fittings	431	(230)	201	8	(2)	2
<b>Total Council operational assets</b>	<b>110,566</b>	<b>(16,759)</b>	<b>93,807</b>	<b>2,461</b>	<b>(527)</b>	<b>432</b>
<b>Council infrastructural assets</b>						
Roads and bridges	226,632	(19,289)	207,343	5,247	-	-
Stormwater systems	109,430	(4,302)	105,128	2,270	-	-
Wastewater systems - Treatment Plants & Facilities	19,409	(1,130)	18,279	469	-	-
Wastewater systems - Other Assets	64,538	(3,367)	61,171	1,093	-	-
Water systems - Treatment Plant & Facilities	7,796	(636)	7,160	11,866	-	-
Water systems - Other Assets	97,405	(5,484)	91,921	3,032	-	-
Land under roads	45,051	(5)	45,046	-	-	-
<b>Total Council infrastructural assets</b>	<b>570,261</b>	<b>(34,213)</b>	<b>536,048</b>	<b>23,977</b>	<b>-</b>	<b>-</b>
<b>Council restricted assets</b>						
Land	7,163	(120)	7,043	309	-	-
Land - Forestry	1,625	-	1,625	-	-	-
Buildings	3,193	(1,213)	1,980	99	-	-
<b>Total Council restricted assets</b>	<b>11,981</b>	<b>(1,333)</b>	<b>10,648</b>	<b>408</b>	<b>-</b>	<b>-</b>
<b>Total Council property, plant and equipment</b>	<b>692,808</b>	<b>(52,305)</b>	<b>640,503</b>	<b>26,846</b>	<b>(527)</b>	<b>432</b>
<b>Subsidiaries property, plant and equipment</b>						
Land	6,514	-	6,514	985	-	-
Gravel and fencing	3,814	(677)	3,137	149	-	-
Buildings, yards and terminals	6,752	(257)	6,495	16,051	(99)	-
Network assets	101,368	(17,349)	84,019	5,768	(887)	476
Plant and equipment	2,696	(1,664)	1,032	151	(36)	32
Motor vehicles	2,637	(2,483)	154	-	-	-
Furniture and fittings	4,945	(638)	4,307	109	(13)	1
Runways and taxi ways	14,731	(5,877)	8,854	15	-	-
Roading	1,922	(329)	1,593	114	-	-
Total subsidiaries property, plant and equipment	<b>145,379</b>	<b>(29,274)</b>	<b>116,105</b>	<b>23,342</b>	<b>(1,035)</b>	<b>509</b>
<b>Total group property, plant and equipment</b>	<b>838,187</b>	<b>(81,579)</b>	<b>756,608</b>	<b>50,188</b>	<b>(1,562)</b>	<b>941</b>

\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost transfers	Depreciation transfers	Impairment charges	Depreciation	Revaluation adjustment - Cost	Revaluation adjustment - Accumulated depreciation	Cost/ Revaluation	Accumulated depreciation and impairment charges	Carrying amount
						30-Jun-17	30-Jun-17	30-Jun-17
-	-	-	-	(456)	-	16,147	-	16,147
-	-	-	(1,949)	2,744	5,792	73,021	-	73,021
-	-	-	(798)	(2,028)	2,232	3,927	-	3,927
-	-	-	(1,015)	-	-	14,308	(9,453)	4,855
-	-	-	(642)	-	-	4,920	(3,026)	1,894
-	-	-	(20)	-	-	437	(248)	189
-	-	-	(4,424)	260	8,024	112,760	(12,727)	100,033
-	-	-	(11,063)	(992)	30,352	230,887	-	230,887
-	-	-	(2,267)	47,500	6,569	159,200	-	159,200
-	-	-	(602)	2,321	1,732	22,199	-	22,199
-	-	-	(1,761)	25,179	5,128	90,810	-	90,810
-	-	-	(328)	(930)	964	18,732	-	18,732
-	-	-	(2,907)	4,612	8,391	105,049	-	105,049
-	-	-	-	-	-	45,051	(5)	45,046
-	-	-	(18,928)	77,690	53,136	671,928	(5)	671,923
-	-	-	-	-	-	7,472	(120)	7,352
-	-	-	-	45	-	1,670	-	1,670
-	-	-	(84)	-	-	3,292	(1,297)	1,995
-	-	-	(84)	45	-	12,434	(1,417)	11,017
-	-	-	(23,436)	77,995	61,160	797,122	(14,149)	782,973
-	-	-	-	-	-	7,499	-	7,499
-	-	-	(159)	-	-	3,963	(836)	3,127
-	-	-	(639)	-	-	22,704	(896)	21,808
-	-	-	(3,795)	251	2,337	106,500	(18,331)	88,169
-	-	-	(151)	-	-	2,811	(1,783)	1,028
-	-	-	(20)	-	-	2,637	(2,503)	134
-	-	-	(381)	-	-	5,041	(1,018)	4,023
-	-	-	(814)	-	-	14,746	(6,691)	8,055
-	-	-	(99)	-	-	2,036	(428)	1,608
-	-	-	(6,058)	251	2,337	167,937	(32,486)	135,451
-	-	-	(29,494)	78,246	63,497	965,059	(46,635)	918,424

**12 Property, plant and equipment****2016**

	<b>\$000</b> Cost/ Revaluation	<b>\$000</b> Accumulated depreciation and impairment charges	<b>\$000</b> Carrying amount	<b>\$000</b> Additions and transfers	<b>\$000</b> Disposals and Derecognition	<b>\$000</b> Current year disposals accumulated depreciation
	<b>1-Jul-15</b>	<b>1-Jul-15</b>	<b>1-Jul-15</b>			
<b>Council operational assets</b>						
Land	15,459	-	15,459	1,119	-	-
Buildings	68,898	(1,910)	66,988	1,088	-	-
Library books	5,174	(690)	4,484	380	-	-
Plant and equipment	18,252	(13,133)	5,119	890	(65)	54
Motor vehicles	5,312	(3,514)	1,798	736	(665)	534
Furniture and fittings	3,410	(3,209)	201	19	-	-
<b>Total Council operational assets</b>	<b>116,505</b>	<b>(22,456)</b>	<b>94,049</b>	<b>4,232</b>	<b>(730)</b>	<b>588</b>
<b>Council infrastructural assets</b>						
Roads and bridges	216,909	(9,441)	207,468	9,730	-	-
Stormwater systems	106,719	(2,139)	104,580	2,711	-	-
Wastewater systems - Treatment Plants & Facilities	18,460	(560)	17,900	949	-	-
Wastewater systems - Other Assets	62,130	(1,675)	60,455	2,408	-	-
Water systems - Treatment Plant & Facilities	7,400	(312)	7,088	27	-	-
Water systems - Other Assets	96,897	(2,707)	94,190	824	-	-
Land under roads	45,009	(4)	45,005	35	-	-
<b>Total Council infrastructural assets</b>	<b>553,524</b>	<b>(16,838)</b>	<b>536,686</b>	<b>16,684</b>	<b>-</b>	<b>-</b>
<b>Council restricted assets</b>						
Land	7,154	(118)	7,036	9	-	-
Land - Forestry	1,625	-	1,625	-	-	-
Buildings	3,378	(1,346)	2,032	32	-	-
<b>Total Council restricted assets</b>	<b>12,157</b>	<b>(1,464)</b>	<b>10,693</b>	<b>41</b>	<b>-</b>	<b>-</b>
<b>Total Council property, plant and equipment</b>	<b>682,186</b>	<b>(40,758)</b>	<b>641,428</b>	<b>20,957</b>	<b>(730)</b>	<b>588</b>
<b>Subsidiaries property, plant and equipment</b>						
Land	6,027	-	6,027	487	-	-
Gravel and fencing	2,126	(580)	1,546	1,688	-	-
Buildings, yards and terminals	3,762	(157)	3,605	2,990	-	-
Network assets	95,306	(15,387)	79,919	8,232	(2,170)	1,605
Plant and equipment	2,259	(1,986)	273	1,019	(582)	482
Motor vehicles	2,637	(2,558)	79	-	-	-
Furniture and fittings	2,811	(360)	2,451	2,172	(38)	30
Runways and taxi ways	14,174	(5,782)	8,392	480	-	-
Roading	1,801	(229)	1,572	121	-	-
Total subsidiaries property, plant and equipment	<b>130,903</b>	<b>(27,039)</b>	<b>103,864</b>	<b>17,189</b>	<b>(2,790)</b>	<b>2,117</b>
<b>Total group property, plant and equipment</b>	<b>813,089</b>	<b>(67,797)</b>	<b>745,292</b>	<b>38,146</b>	<b>(3,520)</b>	<b>2,705</b>



\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost transfers	Depreciation transfers	Impairment charges	Depreciation	Revaluation adjustment - Cost	Revaluation adjustment - Accumulated depreciation	Cost/ Revaluation	Accumulated depreciation and impairment charges	Carrying amount
						30-Jun-16	30-Jun-16	30-Jun-16
30	-	-	-	-	-	16,608	-	16,608
-	-	-	(1,933)	-	-	69,986	(3,843)	66,143
-	-	-	(744)	-	-	5,554	(1,434)	4,120
(5,601)	5,547	-	(986)	-	-	13,476	(8,518)	4,958
(872)	872	-	(626)	-	-	4,511	(2,734)	1,777
(2,998)	2,998	-	(19)	-	-	431	(230)	201
(9,441)	9,417	-	(4,308)	-	-	110,566	(16,759)	93,807
(7)	1	-	(9,849)	-	-	226,632	(19,289)	207,343
-	-	-	(2,163)	-	-	109,430	(4,302)	105,128
-	-	-	(570)	-	-	19,409	(1,130)	18,279
-	-	-	(1,692)	-	-	64,538	(3,367)	61,171
369	-	-	(324)	-	-	7,796	(636)	7,160
(316)	(2)	-	(2,775)	-	-	97,405	(5,484)	91,921
7	(1)	-	-	-	-	45,051	(5)	45,046
53	(2)	-	(17,373)	-	-	570,261	(34,213)	536,048
-	-	-	(2)	-	-	7,163	(120)	7,043
-	-	-	-	-	-	1,625	-	1,625
(217)	217	-	(84)	-	-	3,193	(1,213)	1,980
(217)	217	-	(86)	-	-	11,981	(1,333)	10,648
<b>(9,605)</b>	<b>9,632</b>	<b>-</b>	<b>(21,767)</b>	<b>-</b>	<b>-</b>	<b>692,808</b>	<b>(52,305)</b>	<b>640,503</b>
-	-	-	-	-	-	6,514	-	6,514
-	-	-	(97)	-	-	3,814	(677)	3,137
-	74	-	(174)	-	-	6,752	(257)	6,495
-	-	-	(3,567)	-	-	101,368	(17,349)	84,019
-	(51)	-	(109)	-	-	2,696	(1,664)	1,032
-	98	-	(23)	-	-	2,637	(2,483)	154
-	(20)	-	(288)	-	-	4,945	(638)	4,307
77	1,573	(874)	(794)	-	-	14,731	(5,877)	8,854
-	-	-	(100)	-	-	1,922	(329)	1,593
77	1,674	(874)	(5,152)	-	-	145,379	(29,274)	116,105
<b>(9,528)</b>	<b>11,306</b>	<b>(874)</b>	<b>(26,919)</b>	<b>-</b>	<b>-</b>	<b>838,187</b>	<b>(81,579)</b>	<b>756,608</b>

## 12 Property, plant and equipment (continued)

The net carrying amount of property, plant and equipment held under finance leases is \$Nil (2016: \$Nil).

No depreciation is charged on land and there have been no impairments of land throughout the period (2016: \$Nil).

Specialised buildings (infrastructure) are valued at fair value using depreciated replacement cost because no reliable market data is available for such buildings.

Non - specialised buildings (operational building for example office buildings) are valued at fair value using market-based evidence.

The value of the land owned by Invercargill City Forests Limited, had it been carried at the cost model, would be \$4,427,678 at 30 June, 2017 (\$4,427,678 at 30 June, 2016).

Forestry land is revalued with sufficient regularity to ensure carrying value does not differ materially from that which would be determined as fair value. It is anticipated that the land revaluation will occur every three years, unless circumstances require otherwise. The land was valued by Thayer Todd Valuations Limited (independent valuers) as at 30 June, 2015. The fair value was determined on the highest and best use of the land using the market comparable on sales of comparable land, based on the Valuer's sales database. Invercargill City Council has assessed the carrying value of the forestry land for impairment as at 30 June, 2017. The assessment has shown the fair value of the land to be not materially different to the carrying amount shown in these financial statements.

The value of the network assets owned by Electricity Invercargill Limited, had it been carried at the cost model, would be \$63,475,000 at 30 June, 2017 (\$61,502,000 at 30 June, 2016).

The network assets of Electricity Invercargill Limited were revalued to fair value using discounted cash flow methodology on 1 April, 2016 by Ernst & Young, who are independent valuers. This resulted in a revaluation increase movement of \$2,588,000.

The following valuation assumptions were adopted:

- The free cash flows is based on the Company's five year business plan and asset management plan adjusted for non recurring or non-arms length transactions and for transactions that arise from expansionary growth in the network after the date of the valuation.
- The corporate tax rate used is 28%.
- The weighted average cost of capital (WACC) used is 5.5%.
- The sustainable growth adjustment used is 0%.

## 12 Property, plant and equipment (continued)

### Impairment

The aeronautical assets of Invercargill Airport Limited are shown at cost less accumulated depreciation and impairment. An impairment assessment using discounted cash flow methodology was carried out by Airbiz Aviation Strategies Limited, an independent expert effective 30 June. This resulted in an increase of \$Nil (2016: \$874,000, being a reversal of accumulated impairment from prior years).

The following valuation assumptions were adopted;

- The forecast free cash flows reflect the charges determined following the 2016 aeronautical pricing consultation with airline customers (2016: 2015 aeronautical pricing consultation with airline customers). Expected revenues also reflect expected passenger numbers and other contractual revenues.
- The forecast free cash flows reflect the company's business and asset management plan.
- The forecasts do not include future resale capex as it is assumed that future resales would be priced so that the net present value is zero.
- The continuing value has been estimated as the forecast optimised depreciated replacement cost of the aeronautical assets at the end of the explicit cash flow forecast period.
- The corporate tax rate used is 28%.
- The weighted average cost of capital (WACC) used is 5.98% (2016: 5.86%).

## 12 Property, plant and equipment (continued)

### Core infrastructure asset disclosures

Included within the Council's infrastructure assets are the following core Council assets:

				Most recent replacement cost estimate for revalued assets
	Closing book value (\$000)	Additions: constructed by Council (\$000)	Additions: transferred to Council (\$000)	(\$000)
<b>2017</b>				
Roads and footpaths	230,887	5,247	-	486,034
Stormwater systems	159,200	2,270	-	320,697
Wastewater systems - Treatment plants and facilities	22,199	469	-	57,909
Wastewater systems - Other assets	90,810	1,093	-	217,060
Water systems - Treatment plants and facilities	18,732	11,886	-	61,082
Water systems - Other assets	105,049	3,032	-	203,703
Land under roads	45,046	-	-	159,972
	671,923	23,997	-	1,506,457
<b>2016</b>				
Roads and footpaths	207,343	9,730	-	433,226
Stormwater systems	105,128	2,711	-	205,888
Wastewater systems - Treatment plants and facilities	18,279	949	-	32,528
Wastewater systems - Other assets	61,171	2,408	-	148,085
Water systems - Treatment plants and facilities	7,160	27	-	15,615
Water systems - Other assets	91,921	824	-	194,811
Land under roads	45,046	35	-	140,396
	536,048	16,684	-	1,170,549

## 12 Property, plant and equipment (continued)

### Insurance of Assets

The following disclosures are made in accordance with the Local Government Act 2002 Amendment Act 2014, clause 31A of Schedule 10.

	Council Actual 2017 (\$000)	Council Actual 2016 (\$000)
Total value of all assets that are covered by insurance contracts	978,765	946,927
Maximum amount to which these assets are insured	1,021,114	998,801
Total value of all assets that are covered by financial risk sharing arrangements	-	-
Maximum amount available to Council under those arrangements	-	-
Total value of all assets that are self-insured	-	-
Value of any fund maintained by Council for that purpose*	-	-

\* Although Council does not have a specific self-insurance fund, Council has a number of reserves available that could be used for this purpose.

In the event of natural disaster, central government may contribute up to 60% towards the restoration of water, drainage, and sewerage assets, and provide a subsidy towards the restoration of roads.

### Work in progress

Capital work in progress in the course of construction by class of asset is detailed below:

	Council Actual 2017 (\$000)	Council Actual 2016 (\$000)	Group Actual 2017 (\$000)	Group Actual 2016 (\$000)
Buildings	121	45	1,983	2,646
Land	22	-	22	-
Plant and equipment	43	-	43	-
Roads and footpaths	26	-	26	-
Stormwater systems	617	445	617	445
Wastewater systems	1,730	749	1,730	749
Water systems	-	1,813	-	1,813
Total work in progress	2,559	3,052	4,421	5,653

**13 Intangible assets****Council**

	<b>Computer Software (\$000)</b>	<b>Carbon credits (\$000)</b>	<b>Total (\$000)</b>
<b>Cost</b>			
Balance at 1 July, 2015	1,226	-	1,226
Additions	62	559	621
Balance at 30 June, 2016	1,288	559	1,847
Additions	129	-	129
Change in fair value	-	(5)	(5)
Balance at 30 June, 2017	1,417	554	1,971
<b>Amortisation and impairment charges</b>			
Balance at 1 July, 2015	887	-	887
Amortisation for the year	123	-	123
Balance at 30 June, 2016	1,010	-	1,010
Amortisation for the year	91	-	91
Balance at 30 June, 2017	1,101	-	1,101
<b>Net book value</b>			
Balance at 30 June, 2017	316	554	870
Balance at 30 June, 2016	278	559	837
<b>Work in progress</b>			
Balance at 30 June, 2017	-	-	-
Balance at 30 June, 2016	109	-	109

**Restrictions**

There are no restrictions over the title of intangible assets. No intangible assets are pledged as security for liabilities.

**Carbon credits**

The Council considers that there is no impairment of carbon credits held, as they are expected to be fully utilised in satisfying carbon obligations from its landfill operations.

Carbon units have been assessed as having an indefinite useful life because they have no expiry date and will continue to have economic benefit for as long as the Emissions Trading Scheme is in place.

**13 Intangible assets (continued)**

	<b>Group</b>		
	<b>Computer Software (\$000)</b>	<b>Carbon credits (\$000)</b>	<b>Total (\$000)</b>
<b>Cost</b>			
Balance at 1 July 2015	1,226	-	1,226
Additions	62	559	621
Balance at 30 June 2016	1,288	559	1,847
Additions	129	-	129
Change in fair value	-	(5)	(5)
Balance at 30 June 2017	1,417	554	1,971
<b>Amortisation and impairment charges</b>			
Balance at 1 July 2015	887	-	887
Amortisation for the year	123	-	123
Balance at 30 June 2016	1,010	-	1,010
Amortisation for the year	91	-	91
Balance at 30 June 2017	1,101	-	1,101
<b>Net book value</b>			
Balance at 30 June, 2017	316	554	870
Balance at 30 June, 2016	278	559	837
<b>Work in progress</b>			
Balance at 30 June, 2017	-	-	-
Balance at 30 June, 2016	109	-	109

Amortisation of intangible assets is recognised within depreciation and amortisation in the Statement of Comprehensive Revenue and Expense.

**14 Biological assets**

	<b>Council</b>	<b>Group</b>
	<b>Forestry (\$000)</b>	<b>Forestry (\$000)</b>
Balance at 1 July 2015	2,351	17,405
Acquisitions	-	960
Forest assets logged at cost	-	(1,031)
Change in fair value less estimated point-of-sale costs	542	2,818
Balance at 30 June 2016	2,893	20,152
Balance at 1 July 2016	2,893	20,152
Acquisitions	-	-
Forest assets logged at cost	-	(1,545)
Change in fair value less estimated point-of-sale costs	533	4,686
Balance at 30 June 2017	3,426	23,293

At 30 June, 2017 standing timber comprised approximately 548 hectares (2016: 550 hectares) of plantations at one location, which range from newly established plantations to plantations that are 50 years old. The Council's group includes a further 2,624 hectares at nine different locations (2016: 2,617 hectares at nine different locations).

The forests were revalued as at 30 June, 2017 by an independent valuer, Mr Geoff Manners of Woodlands Pacific Consulting Limited (WPC). The following significant assumptions have been adopted in determining the fair value of forestry assets:

- The valuation excludes funding and taxation as costs.
- The discount rate is based on the mid-point of WPC's analysis of the pre-tax discount rates from actual transactions. The pre-tax discount rate chosen for the 2017 valuation of the Invercargill City Forests Limited's forests is 7.5% (2016: 8.0%) and for the Council's forests it is 9.5% (2016: 10%).
- The valuation excludes any increases in value due to biological transformation.
- The valuation excludes any costs associated with future activities of the Council such as those related to enhancing future biological transformation.

Biological assets are categorised as Level 3 in the fair value hierarchy.

The Council and Group are exposed to a number of risks related to forestry assets. Refer to the end of this note for further details.



## 14 Biological assets (continued)

### Emissions Trading Scheme

#### *Pre-1990 Forest:*

Pre-1990 forests are forests that were established before 1 January 1990. New Zealand Unit's (NZU'S) cannot be earned for an increase in the carbon stock (through forest growth) in a pre-1990 forest, but NZU's are allocated based on the size of the forested area in three tranches. Provided that pre-1990 forests are re-established after harvesting (by replanting or regeneration), there are no liabilities or obligations under the ETS. Landowners of pre-1990 forests must surrender NZUs equivalent to the carbon emissions from any deforestation.

#### *Post-1989 Forests:*

Post-1989 forests are exotic or indigenous forests established after 31 December 1989 on land that was not forest land on 31 December 1989. These forests earn credits under the Kyoto Protocol rules. Therefore, they are also known as "Kyoto Protocol-compliant" forests. Participating in the ETS is voluntary for post-1989 forest owners. If they are part of the ETS, then they earn NZUs for the carbon sequestered in the forest from 1 January 2008, but will need to surrender NZUs to the Crown when the carbon held in their trees decreases, whether through harvest or natural causes (such as by fire or storm). Any liability for post-1989 participants is capped at the amount of NZUs previously claimed for that area of forest land.

### Council

Invercargill City Council has harvested a total of 215 hectares of pre 1990 forest. Of this harvested land, 9.8 hectares has not yet been replanted at 30 June, 2017 and carries a potential deforestation liability of \$234,682 if the land is not replanted. It is Invercargill City Council's intention that these harvested areas will be re-established to ensure that there will be no obligation to surrender units.

Invercargill City Council has received and sold the following carbon credits:

	2017 Units	2017 \$000	2016 Units	2016 \$000
Received:				
Post 1989	-	-	-	-
Pre 1990	-	-	-	-
	-	-	-	-
Sold:				
Post 1989	-	-	-	-
Pre 1990	-	-	-	-
	-	-	-	-

As at 30 June, 2017 there are 32,210 carbon credit units on hand (30 June, 2016: 32,210).

#### 14 Biological assets (continued)

##### Invercargill City Forests Limited

Invercargill City Forest Limited has harvested a total of 48 hectares of pre 1990 forest which carries a potential deforestation liability of \$593,068 if the land is not replanted. It is Invercargill City Forests Limited's intention to replant all forests.

Invercargill City Forests Limited has received and sold the following carbon credits:

	2017 Units	2017 \$000	2016 Units	2016 \$000
Received:				
Post 1989	-	-	31,281	438
Pre 1990	-	-	-	-
		-		438
Sold:				
Post 1989	-	-	31,281	438
Pre 1990	-	-	-	-
		-		438

As at 30 June, 2017 there are nil carbon credit units on hand (30 June, 2016: nil).

There are no future expected allocations.

## 14 Biological assets (continued)

### Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of pine. Where possible the Group manages this risk by aligning its harvest volume to market supply and demand.

The Group is exposed to movements in the price of NZU's to the extent that, the Group has insufficient NZU's to offset a deforestation liability and has to purchase NZU's from the market.

Management performs regular industry trend analysis to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

### Climate and other risks

The Group's pine plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces.

The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

The Group also insures itself against natural disasters such as floods and snow damage.

**15 Investment property**

	<b>Council Actual 2017 (\$000)</b>	<b>Council Actual 2016 (\$000)</b>	<b>Group Actual 2017 (\$000)</b>	<b>Group Actual 2016 (\$000)</b>
Balance at 1 July	26,458	25,999	30,236	29,999
Acquisitions	759	576	759	576
Disposals	(755)	(121)	(755)	(121)
Transfer to non-current assets held for resale	(1,803)	-	(1,803)	-
Transfer to property, plant and equipment	-	(30)	-	(30)
Change in fair value	535	34	592	(188)
Balance at 30 June	25,194	26,458	29,029	30,236
Work in progress				
Investment property	11,385	704	11,385	704
Balance at 30 June	11,385	704	11,385	704

Investment property comprises a number of commercial properties that are leased to third parties.

Vacant land that has been acquired via purchase, abandonment or rating sale is included as Investment Property. This land is classed as Investment Property due to the intention for the land to be sold for a profit. The preparation for the sale is undertaken by the Investment Property department and the funds are returned to Investment Property to assist in off setting the Rates burden.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties, or for repairs, maintenance and enhancements.

The Council's investment properties are valued annually at fair value effective 30 June. All investment properties were valued based on open market evidence using the income approach and the comparable sales approach. The 2017 valuation was performed by Trevor Thayer, an independent valuer from Thayer Todd Valuations Limited. The valuer is an experienced valuer with extensive market knowledge of the types of investment properties owned by the Council.

The Group's investment properties are valued annually at fair value effective 30 June. All investment properties are related to Invercargill Airport Limited. For 2017 and 2016, all investment properties were valued based on open market evidence except for two properties being less than 20% of the portfolio value. These two properties are planned to be replaced within the next year (2016: next year), hence the open market evidence has been adjusted by management to be valued on a discounted cash flow basis of their remaining expected earnings. The 2017 and 2016 open market evidence valuation was performed by Robert Todd, an independent valuer from Thayer Todd Valuations Limited. The valuers are experienced with extensive market knowledge of the types of investment properties owned by the Group.

## 15 Investment property

### Reconciliation of net surplus on investment properties

	Council Actual 2017 (\$000)	Council Actual 2016 (\$000)	Group Actual 2017 (\$000)	Group Actual 2016 (\$000)
Rental revenue derived from investment properties	459	496	745	791
Direct operating expenses (including repairs and maintenance) generating rental revenue	(300)	(197)	(402)	(279)
Direct operating expenses (including repairs and maintenance) that did not generate rental revenue	(606)	(619)	(606)	(619)
Surplus/(Deficit) arising from investment properties carried at fair value	(447)	(320)	(263)	(107)

This reconciliation is a requirement of PBE IPSAS 16 - Investment Property, but it should be noted that it excludes dairy farming revenue while still requiring dairy farming expenditure to be included. Readers should also refer to the Funding Impact Statement - Investment Property in the Council Activities section of this report.

## 16 Equity accounted associates

	Percentage held by Group		Balance Date
	2017	2016	
<b>Associate Companies</b>			
Electricity Southland Limited	24.9%	24.9%	31-Mar
Forest Growth Holdings Limited	32.1%	32.1%	30-Jun
IFS Forestry Group Limited	24.9%	24.9%	30-Jun
HWCP Management Limited	49.9%	0.0%	30-Jun

In June 2016 Invercargill City Forests Limited purchased a 24.19% interest in IFS Forestry Group Limited.

In March 2017 Invercargill City Property Limited purchased a 49.9% interest in HWCP Management Limited, therefore no prior year comparatives are available and 2017 figures are from the incorporation date.

**16 Equity accounted associates (continued)**

The information below reflects the amounts presented in the financial statements of each entity and not the Group's share.

	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
<b>2017</b>					
Electricity Southland Limited, Forest Growth Holdings Limited, IFS Forestry Group Limited and HWCP Management Limited	17,371	21,106	38,477	18,980	11,447
<b>2016</b>					
Power Services Limited, Electricity Southland Limited, Otago Power Services Limited and Peak Power Services Limited	12,932	14,663	27,595	11,908	7,861

There are no public prices available to value these investments.

**Movements in carrying value of equity accounted associates**

	Group Actual 2017 \$000	Group Actual 2016 \$000
Balance at 1 July	4,674	4,809
Investments in associates	200	108
Share of profit/(loss)	(157)	512
Goodwill on acquisition	-	2,642
Impairment of goodwill	(280)	-
Transfer to advances to associates	(250)	-
Distributions from associates	-	(1,026)
Disposal of associates	-	(2,371)
Balance at 30 June	4,187	4,674

Total liabilities	Revenues	Expenses	Profit / (Loss)
(\$000)	(\$000)	(\$000)	(\$000)
30,427	8,022	8,544	(522)
19,769	56,277	15,570	40,707

**17 Equity Accounted Joint Ventures**

<b>Joint Ventures</b>	<b>Percentage held by Group</b>		<b>Balance Date</b>
	<b>2017</b>	<b>2016</b>	
Venture Southland	41.7%	41.7%	30-Jun
Emergency Management Southland	28.3%	28.3%	30-Jun
Southland Regional Heritage Committee	63.0%	63.0%	30-Jun

The information below reflects the amounts presented in the financial statements of each entity and not the Council's share.

	Current assets	Non-current assets	Total assets	Current liabilities
<b>2017</b>	<b>(\$000)</b>	<b>(\$000)</b>	<b>(\$000)</b>	<b>(\$000)</b>
Venture Southland, Emergency Management Southland and Southland Regional Heritage Committee	4,050	345	4,395	2,269
<b>2016</b>				
Venture Southland, Emergency Management Southland and Southland Regional Heritage Committee	3,702	278	3,998	2,066

**Movements in carrying value of equity accounted joint ventures:**

	<b>Council Actual 2017 (\$000)</b>	<b>Council Actual 2016 (\$000)</b>
Balance at 1 July	1,168	1,168
Share of profit/(loss)	(157)	-
Balance at 30 June	1,011	1,168

There are no public prices available to value these investments.



Non-current liabilities	Total liabilities	Revenues	Expenses	Profit / (Loss)
(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
-	2,269	7,956	8,275	(319)
-	2,066	7,485	7,581	(96)

**17 Equity Accounted Joint Ventures (continued)**

<b>Joint Ventures</b>	<b>Percentage held by Group</b>		<b>Balance Date</b>
	<b>2017</b>	<b>2016</b>	
PowerNet Limited Group	50.0%	50.0%	31-Mar
OtagoNet Joint Venture	24.9%	24.9%	31-Mar
Roaring Forties Energy Limited Partnership	50.0%	50.0%	31-Mar

The information below reflects the amounts presented in the financial statements of each entity and not the Group's share.

	Current assets	Non-current assets	Total assets	Current liabilities
<b>2017</b>	<b>(\$000)</b>	<b>(\$000)</b>	<b>(\$000)</b>	<b>(\$000)</b>
PowerNet Limited Group and OtagoNet Joint Venture and Roaring Forties Energy Limited Partnership	35,908	276,416	312,324	19,687
<b>2016</b>				
PowerNet Limited and OtagoNet Joint Venture	40,716	273,602	314,318	16,603

**Movements in carrying value of equity accounted joint ventures:**

	<b>Group Actual 2017 (\$000)</b>	<b>Group Actual 2016 (\$000)</b>
Balance at 1 July	80,595	43,950
Investments in joint ventures	-	36,913
Share of profit/(loss)	6,482	4,384
Reversal of gain on intragroup restructure	-	(2,031)
Distributions from joint ventures	(6,235)	(2,621)
Balance at 30 June	80,842	80,595

There are no public prices available to value these investments.

Non-current liabilities	Total liabilities	Revenues	Expenses	Profit / (Loss)
(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
39,866	59,553	116,351	95,478	20,873
45,463	62,066	115,211	11,031	104,180

## 18 Other financial assets

	Council Actual 2017 (\$000)	Council Actual 2016 (\$000)	Group Actual 2017 (\$000)	Group Actual 2016 (\$000)
<b>Current investments</b>				
<i>Investments in other entities</i>				
Short term investments	11,503	20,275	13,003	20,275
Total current investments	11,503	20,275	13,003	20,275
<b>Non-current investments</b>				
<i>Investments in CCOs and similar entities</i>				
Investment in subsidiary	36,069	36,069	-	-
	36,069	36,069	-	-
<b>Investments in other entities</b>				
Other investments	40,516	30,085	13,124	4,177
Available-for-sale financial assets	682	650	682	650
	41,198	30,735	13,806	4,827
Total non-current investments	77,267	66,804	13,806	4,827
<b>Current derivative financial instruments</b>				
Interest rate swaps (cash flow hedges) - liabilities	(188)	(11)	(201)	(139)
	(188)	(11)	(201)	(139)
<b>Non-current derivative financial instruments</b>				
Interest rate swaps (cash flow hedges) - assets	207	-	254	-
Interest rate swaps (cash flow hedges) - liabilities	(521)	(1,111)	(3,226)	(5,664)
	(314)	(1,111)	(2,972)	(5,664)
<b>Total financial instruments</b>	(502)	(1,122)	(3,173)	(5,803)

### Short Term investment

The carrying amount of term deposits approximates their fair value.

### Listed Bonds

The fair value of listed bonds is \$30m (2016: \$30m).

**19 Trade and other payables**

	<b>Council Actual 2017 (\$000)</b>	<b>Council Actual 2016 (\$000)</b>	<b>Group Actual 2017 (\$000)</b>	<b>Group Actual 2016 (\$000)</b>
Trade payables	5,514	5,501	6,165	6,427
Directors fees payable	-	-	-	4
Accrued expenses	3,001	2,601	5,209	5,161
Amounts due to related parties	-	-	1,268	3,509
Revenue in advance	1,628	1,506	1,677	1,666
<b>Total trade and other payables</b>	<b>10,143</b>	<b>9,608</b>	<b>14,319</b>	<b>16,767</b>
Total payables comprises:				
Payables from non-exchange transactions	1,628	1,506		
Payables from exchange transactions	8,515	8,102		
<b>Total trade and other payables</b>	<b>10,143</b>	<b>9,608</b>		

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payables approximate their fair value.

## 20 Provisions

	<b>Council Actual 2017 (\$000)</b>	<b>Council Actual 2016 (\$000)</b>	<b>Group Actual 2017 (\$000)</b>	<b>Group Actual 2016 (\$000)</b>
<b>Landfill aftercare provision</b>				
Balance 1 July	928	928	928	928
Balance at 30 June	928	928	928	928
Current	112	112	112	112
Non-current	816	816	816	816
	928	928	928	928

The Council's current resource consent for the operation of its landfill expired in 2006. The Council has responsibility under the resource consent to provide maintenance and monitoring of the landfill after the site is closed. There are closure and post-closure responsibilities including the following:

### *Closure responsibilities*

- Site; and
- Planting and maintenance of vegetation; and
- Development of roading and walking tracks.

### *Post closure responsibilities*

- Ongoing maintenance of roading and walking tracks; and
- Treatment and monitoring of leachate; and
- Maintenance of vegetation.

The management of the closed landfill has been in line with the resource consent conditions established at the time of closure.

The conditions were established based on good practice guidelines known at the time. Recent regulatory changes aimed at improving the conditions of waterways and estuaries across the country have heightened awareness regarding the closed landfill.

**21 Employee benefit liabilities**

	<b>Council Actual 2017 (\$000)</b>	<b>Council Actual 2016 (\$000)</b>	<b>Group Actual 2017 (\$000)</b>	<b>Group Actual 2016 (\$000)</b>
Accrued pay	423	352	423	352
Annual leave	2,065	2,045	2,104	2,071
Long service leave	383	368	383	368
Retirement gratuities	938	969	938	969
	3,809	3,734	3,848	3,760
Current	2,578	2,496	2,617	2,522
Non-current	1,231	1,238	1,231	1,238
Total employee benefit liabilities	3,809	3,734	3,848	3,760

## 22 Borrowings

	<b>Council</b>	<b>Council</b>	<b>Group</b>	<b>Group</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>(\$000)</b>	<b>(\$000)</b>	<b>(\$000)</b>	<b>(\$000)</b>
<b>Current</b>				
Secured loans	35,786	21,248	35,805	132,111
<b>Non-current</b>				
Secured loans	50,200	50,000	128,662	20,000
Total borrowings	85,986	71,248	164,467	152,111

Secured loans of the Council are secured by a special rate over the rateable land value of the Invercargill City area. Loans are financed by a multi-option facility. The borrowing facility of \$50 million was renewed for a further three years on 12 November, 2015.

The Council's secured loans are mostly issued at floating rates of interest. For floating rate debt, the interest rate is reset quarterly based on the 90 day bank bill rate.

Council has issued \$50 million of commercial bonds, with security being a charge over the rates revenue of the issuer. Terms of the bonds are between three and seven years.

The debentures are at a floating interest rate. The interest rate is reset quarterly based on the NZD-BBR FRA rate plus a margin for credit risk.

In addition to the loans held by the Council, Invercargill City Holdings Limited holds a multi-option note facility which they extended during the 2017 year from \$90 million to \$100 million. The facility of \$35 million for 2 years and \$65 million for 3 years commenced 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.



## 22 Borrowings (continued)

Below are the internal loans and interest charged used for the purpose of the relevant activities that have borrowed funds internally, per the disclosure requirements of the Local Government (Financial Reporting) Regulations 2011.

### Internal loans and borrowing

	Council Actual 2017 (\$000)	Council Actual 2017 (\$000)	Council Actual 2017 (\$000)	Council Actual 2017 (\$000)
Loans - per activity borrowing funds internally	Opening balance	Loans drawn & adjustments	Loans repaid	Closing balance
Water	-	-	-	-
Investment property	-	-	-	-
Theatre services	-	-	-	-
Other	-	-	-	-
Total loans - per activity borrowing funds internally	-	-	-	-

	Council Actual 2016 (\$000)	Council Actual 2016 (\$000)	Council Actual 2016 (\$000)	Council Actual 2016 (\$000)
Loans - per activity borrowing funds internally	Opening balance	Loans drawn & adjustments	Loans repaid	Closing balance
Water	1,657	-	1,657	-
Investment property	8,815	-	8,815	-
Theatre services	3,921	-	3,921	-
Other	-	-	-	-
Total loans - per activity borrowing funds internally	14,393	-	14,393	-

	Council Actual 2017 (\$000)	Council Actual 2016 (\$000)
Interest paid by activity		
Water	-	22
Investment property	-	116
Theatre services	-	52
Total interest paid by activity	-	190

**22 Borrowings (continued)****Maturity analysis and effective interest rates**

The following is a maturity analysis of the Council's borrowings (excluding finance leases, which are shown separately below). There are no early repayment options.

**Council 2017**

	<b>Overdraft (\$000)</b>	<b>Secured loans (\$000)</b>	<b>Total (\$000)</b>
Less than one year	-	35,786	35,786
Later than one year but not more than five years	-	30,000	30,000
Later than five years	-	20,200	20,200
	-	85,986	85,986

**Council 2016**

	<b>Overdraft (\$000)</b>	<b>Secured loans (\$000)</b>	<b>Total (\$000)</b>
Less than one year	-	21,248	21,248
Later than one year but not more than five years	-	30,000	30,000
Later than five years	-	20,000	20,000
	-	71,248	71,248

Interest rates on these Council secured loans had a weighted average interest rate for the multi-option facility of 3.70% (2016: 4.66%) with hedging refer Note 31. Other Group loans had a weighted average interest rate for the multi-option note facility of 4.47% (2016: 5.13%) with hedging refer Note 31.

**22 Borrowings (continued)****Group 2017**

	<b>Overdraft (\$000)</b>	<b>Secured loans (\$000)</b>	<b>Total (\$000)</b>
Less than one year	-	35,805	35,805
Later than one year but not more than five years	-	108,462	108,462
Later than five years	-	20,200	20,200
	-	164,467	164,467

**Group 2016**

	<b>Overdraft (\$000)</b>	<b>Secured loans (\$000)</b>	<b>Total (\$000)</b>
Less than one year	-	132,111	132,111
Later than one year but not more than five years	-	-	-
Later than five years	-	20,000	20,000
	-	152,111	152,111

Due to interest rates on debt resetting to the market rate every three months the carrying amounts of secured loans approximate their fair values.

**23 Deferred tax liabilities/(assets)****Movements in temporary differences during the year**

	Balance at 1 July 2015	Recognised in profit or loss	Recognised in equity
	(\$000)	(\$000)	(\$000)
Property, plant and equipment	19,148	63	-
Biological assets	3,168	388	-
Investment property	756	(62)	-
Derivatives	(626)	-	(685)
Other items	54	87	-
Tax losses	(1,245)	215	-
Total movements	21,255	691	(685)

Balance at 30 June 2016	Recognised in profit or loss	Recognised in equity	Balance at 30 June 2017
(\$000)	(\$000)	(\$000)	(\$000)
19,211	112	725	20,048
3,556	768	-	4,324
694	16	-	710
(1,311)	-	563	(748)
141	(18)	-	123
(1,030)	538	-	(492)
21,261	1,416	1,288	23,965

**24 Equity**

	<b>Council Actual 2017 (\$000)</b>	<b>Council Actual 2016 (\$000)</b>	<b>Group Actual 2017 (\$000)</b>	<b>Group Actual 2016 (\$000)</b>
<b>Retained earnings</b>				
As at 1 July	398,739	398,212	443,731	438,323
<b>Transfers to:</b>				
Restricted reserves	(10,834)	(7,106)	(10,834)	(7,106)
<b>Transfers from:</b>				
Restricted reserves	6,102	6,781	6,102	6,781
Transfer of revaluation reserve to retained earnings	-	-	100	55
Surplus/(deficit) for the year	(32)	852	19,937	5,678
As at 30 June	393,975	398,739	459,036	443,731
<b>Restricted and non restricted reserves</b>				
As at 1 July	26,518	26,193	27,065	26,740
<b>Transfers to:</b>				
Retained earnings	(6,102)	(6,781)	(6,102)	(6,781)
<b>Transfers from:</b>				
Retained earnings	10,834	7,106	10,834	7,106
As at 30 June	31,250	26,518	31,797	27,065
<b>Hedging Reserve</b>				
As at 1 July	(1,122)	(568)	(4,493)	(2,178)
Other comprehensive revenue and expenses:				
Effective portion of changes in fair value of cashflow hedges	621	(554)	2,068	(2,315)
As at 30 June	(501)	(1,122)	(2,425)	(4,493)
<b>Carbon credit revaluation reserve</b>				
As at 1 July	340	-	340	-
Other comprehensive revenue and expenses:				
Change in fair value of carbon credits	(5)	340	(5)	340
As at 30 June	335	340	335	340
<b>Asset revaluation reserves</b>				
As at 1 July	272,271	272,271	300,822	300,877
Other comprehensive revenue and expenses:				
Revaluation gains/(losses)	139,155	-	141,018	-
Transfer of revaluation reserve due to asset disposal	-	-	(100)	(55)
As at 30 June	411,426	272,271	441,740	300,822
<b>Asset revaluation reserves consist of:</b>				
Land and buildings	52,012	43,887	53,457	45,332
Library books	8,035	7,831	8,035	7,831
Infrastructural assets	351,379	220,553	380,248	247,659
Total asset revaluation reserve	411,426	272,271	441,740	300,822
Total other reserves	442,510	298,007	471,447	323,734

**24 Equity (continued)**

	Actual 2017			
	Opening Balance	Transfers In	Transfers Out	Closing Balance
	(\$000)	(\$000)	(\$000)	(\$000)
<b>Restricted reserves</b>				
The reserves can only be used for designated purposes.				
Category A (Legal restriction)	120	3	-	123
The restriction is designated from a statute or legal document. These reserves restrictions include the capital and interest or income generated. This reserve is related to the Parks activity and is to maintain the Feldwick Gates at Queens Park.				
Category B (Capital-only restriction)	4,409	579	(753)	4,235
These reserves are invested in property that provides a financial return to ratepayers (Investment Property, Library and Infrastructure activities)				
Category C (Specific purpose)	9,390	1,029	(215)	10,204
These reserves are to maintain and provide for improvements to separately identifiable areas. (Parks, crematorium and cemetery, community centres, waste and infrastructure activities)				
<b>Non restricted reserves</b>				
The reserves can be used for purposes other than the purpose currently specified.				
Loss of service potential	8,265	4,456	(2,594)	10,127
To set aside funds for the replacement of assets in the future (all activities).				
Development	4,415	1,050	(369)	5,096
To maintain and provide assets in identifiable areas. (Parks, Roding, and Water activities)				
Property	1,050	62	(316)	796
To provide for the purchase of properties. (Investment Property, and Infrastructure activities)				
Amenities	246	103	(25)	324
To provide funding for the ongoing operations of amenity areas. (Library, Museum, Pools, and Parks activities)				
Financial	7,398	3,144	(1,221)	9,321
To provide ongoing funding in a consistent manner for Council operations. (all activities)				
Community Board	115	5	-	120
To provide funding for Community Board areas for their activities and development of assets.				
Economic development	(8,890)	403	(609)	(9,096)
To develop economic growth in the city which will be funded by future activity. (Investment Property activity)				
	26,518	10,834	(6,102)	31,250

**24 Equity (continued)**

	Actual 2016			
	Opening Balance (\$000)	Transfers In (\$000)	Transfers Out (\$000)	Closing Balance (\$000)
<b>Restricted reserves</b>				
The reserves can only be used for the designated purposes.				
Category A (Legal restriction) The restriction is designated from a statute or legal document. These reserves restrictions include the capital and interest or income generated. This reserve is related to the Parks activity and is to maintain the Feldwick Gates at Queens Park.	118	2	-	120
Category B (Capital only restriction) These reserves are invested in property that provides a financial return to ratepayers (Investment Property, Library and Infrastructure activities)	5,012	595	(1,198)	4,409
Category C (Specific purpose) These reserves are to maintain and provide for improvements to separately identifiable areas. (Parks crematorium and cemetery, community centres, waste and infrastructure activities)	9,280	353	(243)	9,390
<b>Non-restricted reserves</b>				
The reserves can be used for purposes other than the purpose currently specified.				
Loss of service potential To set aside funds for the replacement of assets in the future (all activities).	6,803	2,985	(1,523)	8,265
Development To maintain and provide assets in identifiable areas. (Parks, Roading, and Water activities)	4,070	1,449	(1,104)	4,415
Property To provide for the purchase of properties. (Investment Property, and Infrastructure activities)	1,016	34	-	1,050
Amenities To provide funding for the ongoing operations of amenity areas. (Library, Museum, Pools, and Parks activities)	654	12	(420)	246
Financial To provide ongoing funding in a consistent manner for Council operations. (all activities)	7,309	1,546	(1,457)	7,398
Community Board To provide funding for Community Board areas for their activities and development of assets. (Democratic Process activity)	109	6	-	115
Economic Development To develop economic growth in the city which will be funded by future activity. (Investment Property activity)	(8,178)	124	(836)	(8,890)
	26,193	7,106	(6,781)	26,518



**25 Reconciliation of net surplus (deficit) to net cash inflows (outflows) from operating activities**

	<b>Council Actual 2017 (\$000)</b>	<b>Council Actual 2016 (\$000)</b>	<b>Group Actual 2017 (\$000)</b>	<b>Group Actual 2016 (\$000)</b>
Net surplus/(deficit) after taxation	(32)	852	19,937	5,678
<b>Add non-cash items:</b>				
Depreciation and amortisation of intangibles	23,527	21,890	29,584	27,042
(Gain)/Loss on sale of assets	24	(238)	427	331
(Gain)/Loss on revaluation of assets	-	-	(16,723)	-
Change in fair value of biological assets	(533)	(542)	(4,686)	(2,818)
Change in fair value of investment property	(535)	(34)	(592)	188
Change in fair value of investments	(29)	(212)	(29)	(212)
Change in fair value of intangible assets	5	(219)	5	(219)
Increase/(Decrease) in deferred taxation	-	-	1,381	729
De-recognition of term loan	-	-	(168)	(168)
Vested assets	(99)	-	-	-
Impairment of property, plant and equipment	-	-	-	(874)
Biological assets - Cost of goods sold	-	-	1,545	1,031
Associate post-acquisition profits	-	-	(6,325)	(4,896)
Loss on sale of associates	-	-	-	(298)
Impairment of investment in associate	-	-	279	-
	22,328	21,497	24,635	25,514
<b>Add/(Less) movements in other working capital items:</b>				
(Increase)/Decrease in stock, receivables and WIP	221	(917)	1,086	(724)
Increase/(Decrease) in sundry creditors	159	(213)	(2,780)	(1,244)
(Increase)/Decrease in GST and taxation	386	3	419	365
	766	(1,127)	(1,275)	(1,603)
Net cash from operating activities	23,094	20,370	23,360	23,911

## 26 Related party transactions

The following are details of related party transactions that took place with the Council and subsidiaries, and other related parties. The Council is the beneficial owner of Invercargill City Holdings Limited, Electricity Invercargill Limited, Invercargill City Forests Limited and Invercargill City Property Limited and holds a 97% stake in Invercargill Airport Limited. All transactions with the subsidiaries have been eliminated upon consolidation.

	Council Actual 2017 (\$000)	Council Actual 2016 (\$000)	Group Actual 2017 (\$000)	Group Actual 2016 (\$000)
<b>(a) Invercargill City Holdings Limited</b>				
<i>Revenue</i>				
Provision of services	425	439	-	-
Dividend from Subsidiary to Parent	5,300	4,700	-	-
<i>Expenditure</i>				
Provision of goods and services	113	140	-	-
Loan	-	30,000	-	-
Outstanding at balance date to Council and Group	5,300	4,700	-	-
Outstanding at balance date by Council and Group	-	-	-	-
<b>(b) Electricity Invercargill Limited</b>				
<i>Revenue</i>				
Provision of services	-	-	-	-
<i>Expenditure</i>				
Provision of goods and services	-	-	-	-
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	-	-	-
<b>(c) Invercargill City Forests Limited</b>				
<i>Revenue</i>				
Provision of services	136	119	-	-
<i>Expenditure</i>				
Provision of goods and services	-	-	-	-
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	-	-	-
<b>(d) Invercargill Airport Limited</b>				
<i>Revenue</i>				
Provision of services	71	95	-	-
<i>Expenditure</i>				
Provision of goods and services	15	-	-	-
Outstanding at balance date to Council and Group	2	-	-	-
Outstanding at balance date by Council and Group	-	-	-	-
<b>(e) Invercargill City Property Limited</b>				
<i>Revenue</i>				
Provision of services	5	5	-	-
<i>Expenditure</i>				
Provision of goods and services	92	110	-	-
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	10	-	-

**26 Related party transactions (continued)**

	<b>Council Actual 2017 (\$000)</b>	<b>Council Actual 2016 (\$000)</b>	<b>Group Actual 2017 (\$000)</b>	<b>Group Actual 2016 (\$000)</b>
<b>(f) Invercargill Venue &amp; Events Management Limited</b>				
<i>Revenue</i>				
Provision of goods and services	559	508	-	-
<i>Expenditure</i>				
Provision of grants, goods and services	326	272	-	-
Outstanding at balance date to Council and Group	85	44	-	-
Outstanding at balance date by Council and Group	2	13	-	-
<b>(g) Invercargill City Charitable Trust</b>				
<i>Revenue</i>				
Provision of services	103	33	-	-
<i>Expenditure</i>				
Provision of grant and services	535	431	-	-
Outstanding at balance date to Council and Group	6	3	-	-
Outstanding at balance date by Council and Group	10	6	-	-
<b>(h) Invercargill Community Recreation and Sport Trust</b>				
<i>Revenue</i>				
Provision of services	5	3	-	-
<i>Expenditure</i>				
Provision of grant and services	5	4	-	-
Outstanding at balance date to Council and Group	5	3	-	-
Outstanding at balance date by Council and Group	5	4	-	-
<b>(i) Southland Museum and Art Gallery Trust Board</b>				
<i>Revenue</i>				
Provision of services	1,740	1,531	-	-
<i>Expenditure</i>				
Provision of grant and services	649	638	-	-
Outstanding at balance date to Council and Group	58	-	-	-
Outstanding at balance date by Council and Group	4	2	-	-
<b>(j) Bluff Maritime Museum</b>				
<i>Revenue</i>				
Provision of goods and services	1	1	1	1
<i>Expenditure</i>				
Provision of grants, goods and services	80	30	80	30
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	50	-	50	-

**26 Related party transactions (continued)**

	<b>Council Actual 2017 (\$000)</b>	<b>Council Actual 2016 (\$000)</b>	<b>Group Actual 2017 (\$000)</b>	<b>Group Actual 2016 (\$000)</b>
<b>(k) Venture Southland</b>				
<i>Revenue</i>				
Provision of services	3	5	7	85
<i>Expenditure</i>				
Provision of grant and services	1,734	1,652	1,752	968
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	-	15	-
<b>(l) Emergency Management Southland</b>				
<i>Revenue</i>				
Provision of services	-	-	-	-
<i>Expenditure</i>				
Provision of goods and services	257	257	257	169
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	-	-	-
<b>(m) Southland Regional Heritage Committee</b>				
<i>Revenue</i>				
Provision of services	15	4	15	2
<i>Expenditure</i>				
Provision of goods and services	838	719	838	261
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	-	-	-
<b>(n) PowerNet Limited</b>				
<i>Revenue</i>				
Provision of services	16	25	176	245
<i>Expenditure</i>				
Provision of goods and services	9	12	8,940	11,042
Outstanding at balance date to Council and Group	3	3	37	76
Outstanding at balance date by Council and Group	-	3	1,029	3,545
<b>(o) Forest Growth Holdings Limited</b>				
<i>Revenue</i>				
Provision of services	-	4	526	462
<i>Expenditure</i>				
Provision of goods and services	-	-	-	-
Outstanding at balance date to Council and Group	-	-	34	48
Outstanding at balance date by Council and Group	-	-	-	-

**26 Related party transactions (continued)**

	Council Actual 2017 (\$000)	Council Actual 2016 (\$000)	Group Actual 2017 (\$000)	Group Actual 2016 (\$000)
<b>(p) OtagoNet Joint Venture</b>				
<i>Revenue</i>				
Provision of services	-	-	-	14
<i>Expenditure</i>				
Provision of goods and services	-	-	-	-
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	-	-	-
<b>(q) Electricity Southland Limited</b>				
<i>Revenue</i>				
Provision of services	-	-	87	71
<i>Expenditure</i>				
Provision of goods and services	-	-	-	-
Outstanding at balance date to Council and Group	-	-	24	19
Outstanding at balance date by Council and Group	-	-	-	-
<b>(r) AWS Legal</b>				
<i>Revenue</i>				
Provision of services	-	-	2	-
<i>Expenditure</i>				
Provision of goods and services	-	-	5	41
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	-	-	-
<b>(s) AJO Management Limited</b>				
<i>Revenue</i>				
Provision of services	-	-	21	70
<i>Expenditure</i>				
Provision of goods and services	-	-	-	-
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	-	-	4
<b>(t) Otago Power Services Limited</b>				
<i>Revenue</i>				
Provision of services	-	-	-	33
<i>Expenditure</i>				
Provision of goods and services	-	-	-	-
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	-	-	-

**26 Related party transactions (continued)**

	<b>Council Actual 2017 (\$000)</b>	<b>Council Actual 2016 (\$000)</b>	<b>Group Actual 2017 (\$000)</b>	<b>Group Actual 2016 (\$000)</b>
<b>(u) R M Walton</b>				
<i>Revenue</i>				
Provision of services	-	-	-	-
<i>Expenditure</i>				
Provision of grants, goods and services	-	-	-	-
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	-	-	19
<b>(v) IFS Growth Limited</b>				
<i>Revenue</i>				
Provision of goods and services	-	-	-	438
<i>Expenditure</i>				
Provision of grants, goods and services	-	-	751	888
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	-	111	71
<b>(w) OneForest Limited</b>				
<i>Revenue</i>				
Provision of goods and services	-	-	6,740	4,077
<i>Expenditure</i>				
Provision of grants, goods and services	-	-	3,185	2,230
Outstanding at balance date to Council and Group	-	-	-	92
Outstanding at balance date by Council and Group	-	-	-	46
<b>(x) IFS Forestry Group Limited</b>				
<i>Revenue</i>				
Provision of goods and services	-	-	-	-
<i>Expenditure</i>				
Provision of goods and services	-	-	-	-
Outstanding at balance date to Council and Group	-	-	3	3
Outstanding at balance date by Council and Group	-	-	-	-
<b>(y) HWCP Management Limited</b>				
<i>Revenue</i>				
Provision of goods and services	-	-	23	-
<i>Expenditure</i>				
Provision of goods and services	-	-	-	-
Outstanding at balance date to Council and Group	-	-	23	-
Outstanding at balance date by Council and Group	-	-	-	-

**26 Related party transactions (continued)**

	<b>Council Actual 2017 (\$000)</b>	<b>Council Actual 2016 (\$000)</b>	<b>Group Actual 2017 (\$000)</b>	<b>Group Actual 2016 (\$000)</b>
<b>(z) Invercargill Public Art Gallery Incorporated</b>				
<i>Revenue</i>				
Provision of goods and services	-	-	-	-
<i>Expenditure</i>				
Provision of grants, goods and services	294	174	294	174
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	113	-	113	-
<b>(aa) Archdraught Limited</b>				
<i>Revenue</i>				
Provision of goods and services	19	18	19	18
<i>Expenditure</i>				
Provision of grants, goods and services	1	-	1	-
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	-	-	-
<b>(ab) Glengarry Community Action Group</b>				
<i>Revenue</i>				
Provision of goods and services	-	-	-	-
<i>Expenditure</i>				
Provision of grants, goods and services	-	11	2	11
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	-	-	-
<b>(ac) Dan Davin Literary Foundation</b>				
<i>Revenue</i>				
Provision of goods and services	-	-	-	-
<i>Expenditure</i>				
Provision of goods and services	-	-	5	-
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	-	-	-
<b>(ad) Ziff's Café Bar Limited</b>				
<i>Revenue</i>				
Provision of goods and services	1	-	1	-
<i>Expenditure</i>				
Provision of goods and services	-	-	-	-
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	-	-	-

**26 Related party transactions (continued)**

	<b>Council Actual 2017 (\$000)</b>	<b>Council Actual 2016 (\$000)</b>	<b>Group Actual 2017 (\$000)</b>	<b>Group Actual 2016 (\$000)</b>
<b>(ae) Buster Crabb Limited</b>				
<i>Revenue</i>				
Provision of services	1	-	1	-
<i>Expenditure</i>				
Provision of goods and services	-	-	-	-
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	-	-	-
<b>(af) Southland Indoor Leisure Centre Charitable Trust</b>				
<i>Revenue</i>				
Provision of goods and services	118	82	228	82
<i>Expenditure</i>				
Provision of grants, goods and services	400	400	400	400
Outstanding at balance date to Council and Group	-	-	1,500	-
Outstanding at balance date by Council and Group	-	5	-	5
<b>(ag) Bluff 2024 Rejuvenation Trust</b>				
<i>Revenue</i>				
Provision of goods and services	-	-	-	-
<i>Expenditure</i>				
Provision of grants, goods and services	18	-	18	-
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	-	-	-
<b>(ah) Southland Art Foundation</b>				
<i>Revenue</i>				
Provision of goods and services	-	2	-	2
<i>Expenditure</i>				
Provision of grants, goods and services	-	-	4	-
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	-	-	-
<b>(ai) Southland Electronics Limited</b>				
<i>Revenue</i>				
Provision of goods and services	-	-	-	-
<i>Expenditure</i>				
Provision of grants, goods and services	2	6	2	6
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	4	-	4



## 26 Related party transactions (continued)

	Council Actual 2017 (\$000)	Council Actual 2016 (\$000)	Group Actual 2017 (\$000)	Group Actual 2016 (\$000)
<b>(aj) Quality Foods Southland Limited</b>				
<i>Revenue</i>				
Provision of services	11	-	11	-
<i>Expenditure</i>				
Provision of goods and services	-	-	-	-
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	-	-	-
<b>(ak) Omaui Tracks Trust</b>				
<i>Revenue</i>				
Provision of goods and services	-	-	-	-
<i>Expenditure</i>				
Provision of grants, goods and services	-	-	10	-
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	-	-	-
<b>(al) Southland Football Inc.</b>				
<i>Revenue</i>				
Provision of goods and services	5	6	7	5
<i>Expenditure</i>				
Provision of grants, goods and services	-	-	-	-
Outstanding at balance date to Council and Group	3	4	3	3
Outstanding at balance date by Council and Group	-	-	-	-
<b>(am) ILT Foundation</b>				
<i>Revenue</i>				
Provision of goods and services	-	-	11	-
<i>Expenditure</i>				
Provision of grants, goods and services	-	-	-	-
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	-	-	-
<b>(an) Invercargill Licensing Trust</b>				
<i>Revenue</i>				
Provision of goods and services	76	74	94	74
<i>Expenditure</i>				
Provision of grants, goods and services	34	32	34	32
Outstanding at balance date to Council and Group	9	2	10	2
Outstanding at balance date by Council and Group	-	-	-	-

**26 Related party transactions (continued)**

	<b>Council Actual 2017 (\$000)</b>	<b>Council Actual 2016 (\$000)</b>	<b>Group Actual 2017 (\$000)</b>	<b>Group Actual 2016 (\$000)</b>
<b>(ao) Age Concern Southland Inc.</b>				
<i>Revenue</i>				
Provision of services	1	2	1	2
<i>Expenditure</i>				
Provision of goods and services	-	-	-	-
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	-	-	-
<b>(ap) Sycamore Print Limited</b>				
<i>Revenue</i>				
Provision of goods and services	-	-	-	-
<i>Expenditure</i>				
Provision of grants, goods and services	4	-	4	-
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	-	-	-
<b>(aq) Southland Warm Homes Trust</b>				
<i>Revenue</i>				
Provision of goods and services	-	-	-	-
<i>Expenditure</i>				
Provision of grants, goods and services	50	50	50	50
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	-	-	-
<b>(ar) Citizens Advice Bureau (Invercargill)</b>				
<i>Revenue</i>				
Provision of goods and services	8	8	8	8
<i>Expenditure</i>				
Provision of grants, goods and services	35	30	35	30
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	-	-	-
<b>(as) Cancer Society of New Zealand (Otago and Southland Division)</b>				
<i>Revenue</i>				
Provision of goods and services	-	-	-	-
<i>Expenditure</i>				
Provision of grants, goods and services	-	1	-	1
Outstanding at balance date to Council and Group	-	-	-	-
Outstanding at balance date by Council and Group	-	-	-	-

26 Related party transactions (continued)

Electricity Invercargill Limited, through its joint venture interest in PowerNet Limited and OtagoNet Joint Venture, uses AWS Legal as its solicitors. A B Harper is a Partner of AWS Legal and is a Director of PowerNet Limited.

Invercargill Airport Limited purchased services from AJO Management Limited, a management company in which A J O'Connell is a Director. These services included director fees.

Below is the Key Management Personnel of Council and the capacity in which they are involved with related entities that have had financial transactions with the Council. All transactions have been on an arms length basis.

Mayor and Councillors	Relationship
<b>Tim Shadbolt</b> Invercargill Airport Limited The Invercargill City Charitable Trust	Director Trustee
<b>Lindsay Abbott</b> Invercargill Venue & Events Management Limited Invercargill Public Art Gallery	Director Officer
<b>Rebecca Amundsen</b> Archdraught Limited Glengarry Community Action Group Dan Davin Literary Foundation Poppycock Trust	Director Officer Trustee Trustee
<b>Allan Arnold</b> Ziff's Café Bar Limited Buster Crabb Limited Invercargill Community Recreation and Sport Trust	Director Director Trustee - Appointed Nov 2016
<b>Karen Arnold</b> Electricity Invercargill Limited PowerNet Limited Invercargill Community Recreation and Sport Trust	Director - Appointed Nov 2016 Director - Appointed Nov 2016 Trustee
<b>Toni Biddle</b> Invercargill Venue & Events Management Limited Invercargill Community Recreation and Sport Trust Southland Museum and Art Gallery Trust Board	Director - Appointed Nov 2016 Trustee - Appointed Nov 2016 Trustee - Appointed Nov 2016
<b>Lloyd Esler</b> Southland Museum and Art Gallery Trust Board Bluff Maritime Museum	Trustee Officer
<b>Graham Lewis</b> Invercargill City Holdings Limited Invercargill Community Recreation and Sport Trust Hospice Southland Charitable Trust Southland Indoor Leisure Centre Charitable Trust Bluff 2024 Rejuvenation Trust	Director - Appointed Nov 2016 Trustee Trustee Trustee Officer

**26 Related party transactions (continued)**

Mayor and Councillors (continued)	Relationship
<b>Darren Ludlow</b> Invercargill City Holdings Limited Invercargill Venue & Events Management Limited Electricity Invercargill Limited Invercargill City Charitable Trust Southland Museum and Art Gallery Trust Board Southland Art Foundation	Director - Appointed Nov 2016 Director Director - Until Nov 2016 Trustee Trustee Officer
<b>Ian Pottinger</b> Southland Electronics Limited Quality Foods Southland Limited	Director Shareholder
<b>Lesley Soper</b> Invercargill Community Recreation and Sport Trust Invercargill Public Art Gallery Omaui Tracks Trust	Trustee - Appointed Nov 2016 Officer Officer
<b>Lindsay Thomas</b> Invercargill City Holdings Limited HWCP Management Limited Southland Football Incorporated	Director Director Trustee
<b>Alan Dennis</b> Invercargill City Holdings Limited ILT Foundation Invercargill Licencing Trust Southland Indoor Leisure Centre Charitable Trust	Director - Until Nov 2016 Trustee Chairman Trustee
<b>Peter Kett</b> Invercargill Community Recreation and Sport Trust Age Concern Southland Incorporated	Trustee - Until Nov 2016 Trustee
<b>Graham Sycamore</b> Invercargill City Holdings Limited Invercargill Community Recreation and Sport Trust Southland Museum and Art Gallery Trust Board Invercargill City Property Limited Sycamore Print Ltd Southland Warm Homes Trust	Director - Until Nov 2016 Trustee - Until Nov 2016 Trustee - Until Nov 2016 Director Director Trustee
<b>Neil Boniface</b> Invercargill Venue & Events Management Limited Electricity Southland Limited PowerNet Limited Anderson Park Art Gallery Inc Cancer Society of NZ (Otago & Southland Division) Citizens Advice Bureau Southland Warm Homes Trust	Director - Until Nov 2016 Chairman - Until Nov 2016 Director - Until Nov 2016 Member Member Trustee Trustee

**26 Related party transactions (continued)**

Chief Executive & Senior Executive Team	Relationship
<b>Richard King</b> The Invercargill City Charitable Trust	Trustee
<b>Dean Johnston</b> Forest Growth Holdings Limited	Director

**Key management personnel**

Details of transactions between Council and key management personnel are disclosed as part of Note 29 Remuneration.

**27 Capital commitments and operating leases****Commitments**

	Council Actual 2017 (\$000)	Council Actual 2016 (\$000)	Group Actual 2017 (\$000)	Group Actual 2016 (\$000)
Capital expenditure - Infrastructure	254	12,714	254	12,714
Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment	-	-	1,988	2,149
Total commitments	254	12,714	2,242	14,863

**Operating leases as lessee**

The Council and Group have \$Nil non-cancellable operating leases as lessee (2016: \$Nil).

**Operating leases as lessor**

The Council leases its investment property under 49 operating leases. There are 26 leases that have a non-cancellable term of 21 years, 5 leases that range between 6 and 21 years, 9 leases from 2 to 5 years, nil leases over 1 to 3 years, and 9 annual leases.

The Group leases its investment property under operating leases. The majority of these leases have a non-cancellable term of 36 months. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	Council Actual 2017 (\$000)	Council Actual 2016 (\$000)	Group Actual 2017 (\$000)	Group Actual 2016 (\$000)
<b>Non-cancellable operating leases as lessor</b>				
Not later than one year	793	703	1,119	1,069
Later than one year and not later than five years	1,461	1,555	2,447	2,703
Later than five years	1,491	1,596	2,089	2,482
Total non-cancellable operating leases	3,745	3,854	5,655	6,254

No contingent rents have been recognised during the period.

Leases can be renewed at the Council's option, with rents set by reference to current market rates for items of equivalent age and condition. The Council does have the option to purchase the asset at the end of the lease term.

There are no restrictions placed on the Council by any of the leasing arrangements.

## **28 Contingent liabilities**

The following contingent liabilities exist:

### **Carter Holt Harvey Limited**

In April 2013, the Ministry of Education (MOE) initiated High Court proceedings against Carter Holt Harvey (CHH) and others alleging inherent defects in the cladding sheets and cladding systems manufactured and prepared by CHH. Subsequently, in December 2016, CHH commenced third party proceedings against 50 Councils, including Invercargill City Council alleging a breach of duty in the processing of building consents, undertaking building inspections and issuing Code Compliance Certificates. The Councils have applied for orders setting aside and striking out CHH's claims against them. The MOE's claim against CHH is for 833 school buildings, 1 of which is located within Invercargill. At present there is insufficient information to conclude on potential liability and claim quantum, if any.

### **20 Spey Street property**

A contamination issue has been identified at the Spey Street site. In-depth investigations and analysis by an environmental consultant have confirmed that the problem is below ground and contained within a small portion of the site. As a consequence, no immediate remedial action is deemed necessary, but restrictions should be applied to any future site development. Due to a lack of certainty as to what the long term remedial action will be, it is not possible to quantify the likely expenditure (2001 issue unchanged).

### **Forestry**

Invercargill City Council has harvested a total of 215 hectares of pre 1990 forest. Of this harvested land, 9.8 hectares has not yet been replanted at 30 June, 2017 and carries a potential deforestation liability of \$234,682 if the land is not replanted. It is Invercargill City Council's intention that these harvested areas will be re-established to ensure that there will be no obligation to surrender units.

Invercargill City Forests Limited has harvested a total of 48 hectares of pre-1990 forest (2016: 68 hectares). This harvested land will be replanted but at balance date carried a potential deforestation liability of \$593,068 (2016: \$836,659). It is Invercargill City Forest Limited's intention to replant all forests. Refer note 14.

### **Electricity Invercargill Limited**

Electricity Invercargill Limited has a contingent liability as at 31 March, 2017 of \$415,000 (31 March, 2016: \$415,000). This liability relates to an agreement with Smart Co for the Company to provide a subordinated loan to Smart Co once a number of terms have been met.

### **Contingent assets**

There were no contingent assets as at 30 June, 2017

## 29 Remuneration

### Key management personnel

Key management personnel of the Council include:

The Chief Executive, Councillors and Senior Management Team.

Key management personnel did not receive any remuneration or compensation other than in their capacity as key management personnel (2016: \$Nil).

The Council did not provide any compensation at non-arm's length terms to close family members of key management personnel during the year (2016: \$Nil).

The Council did not provide any loans to key management personnel or their close family members (2016: \$Nil).

The total remuneration of members of Council and the number of individuals, on a full-time equivalent basis, receiving remuneration from the Group are:

	<b>Council Actual 2017 \$</b>	<b>Council Actual 2016 \$</b>	<b>Group Actual 2017 \$</b>	<b>Group Actual 2016 \$</b>
Short-term employee benefits	1,821,010	1,739,980	2,445,010	2,255,980
Vehicle (market value plus FBT)	123,658	119,866	123,658	119,866
Retirement benefits	18,574	17,335	18,574	17,335
Directors' fees	-	-	644,000	682,000
Total remuneration	1,963,242	1,877,181	3,231,242	3,075,181

Number of persons recognised as key management personnel

	<b>Council Actual 2017</b>	<b>Council Actual 2016</b>	<b>Group Actual 2017</b>	<b>Group Actual 2016</b>
Councillors or directors	18	18	40	40
Senior Management Team (including the Chief Executive)	5	5	6	6
Total key management personnel	23	23	46	46

**29 Remuneration (continued)**

Further details of the remuneration of Council key management personnel is provided below:

	<b>Council Actual 2017 \$</b>	<b>Council Actual 2016 \$</b>
R W King - Chief Executive		
Short-term employee benefits	304,428	298,860
Vehicle (market value plus FBT)	20,762	20,789
	<u>325,190</u>	<u>319,649</u>
Invercargill City Council Senior Management Team		
Short-term employee benefits	894,090	840,483
Vehicle (market value plus FBT)	83,332	83,484
Retirement benefits	18,574	17,335
	<u>995,996</u>	<u>941,302</u>



## 29 Remuneration (continued)

### Elected representatives

Detailed below are gross remuneration figures for Council representatives during the year:

	Council Actual 2017 \$	Council Actual 2016 \$	Group Actual 2017 \$	Group Actual 2016 \$
T R Shadbolt (Mayor)				
Short-term employee benefits	113,222	112,285	113,222	112,285
Vehicle (market value plus FBT)	19,564	15,593	19,564	15,593
Directors' fees	-	-	24,600	23,700
	132,786	127,878	157,386	151,578
 Councillors				
R R Amundsen (Deputy Mayor May 2017 - June 2017)	43,802	34,447	43,802	34,447
D J Ludlow (Deputy Mayor July 2016 - May 2017)	57,062	51,311	93,955	79,211
L S Thomas	46,192	42,718	76,492	73,018
R L Abbott	46,198	42,718	46,198	42,718
I L Esler	34,931	34,247	34,931	34,247
I R Pottinger	40,528	38,510	40,528	38,510
G D Lewis	36,641	38,510	56,167	38,510
K F Arnold	35,411	34,247	46,930	34,247
A H Crackett	24,572	-	24,572	-
L F Soper	24,572	-	24,572	-
T M Biddle	24,572	-	24,572	-
A J Arnold	24,572	-	24,572	-
N D Boniface	13,801	43,578	51,218	96,578
G J Sycamore	11,382	35,572	26,149	81,112
A G Dennis	10,359	34,247	20,459	64,547
P W Kett	10,359	34,247	10,359	34,247
	484,954	464,352	645,476	651,392
 Community Board members				
Bluff:				
R J C Fife	8,000	8,000	8,000	8,000
W E Glassey	4,079	4,000	4,079	4,000
G V Henderson	4,079	4,000	4,079	4,000
P A Young	4,079	4,000	4,079	4,000
G A Laidlaw	4,079	4,000	4,079	4,000
	24,316	24,000	24,316	24,000
Total elected representatives' remuneration	642,056	616,230	827,178	826,970

## 29 Remuneration (continued)

### Council employees

Total annual remuneration by band for employees as at 30 June:

	<b>Actual 2017</b>
< \$60,000	346
\$60,000 - \$79,999	86
\$80,000 - \$99,999	17
\$100,000 - \$139,999	15
\$140,000 - \$179,999	7
\$180,000 - \$339,999	4
	<hr/> 475 <hr/>
	<b>Actual 2016</b>
< \$60,000	335
\$60,000 - \$79,999	75
\$80,000 - \$99,999	16
\$100,000 - \$119,999	6
\$120,000 - \$139,999	11
\$140,000 - \$279,999	8
\$280,000 - \$319,999	1
	<hr/> 452 <hr/>

Total remuneration includes non-financial benefits provided to employees.

At balance date the Council employed 273 (2016: 268) full time employees, with the balance of staff representing 60 (2016: 71) full time equivalent employees. A full time employee is determined on the basis of a 40 hour working week.

## 30 Events after balance date

Invercargill City Forest Limited sold its 24.9% share in IFS Forestry Group Limited on 30 September, 2017.

## 31 Financial instrument risk

The Council and Group have exposure to the following risks from its use of financial instruments:

- **Credit risk**
- **Liquidity risk**
- **Market risk.**

The Council has a series of policies to manage the risks associated with financial instruments. The Council is risk averse and seeks to minimise exposure from its treasury activities. The Council has established Council approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

### • Credit risk

Credit risk is the risk that a third party will default on its obligation to the Council, causing the Council to incur a loss. The Council has no significant concentrations of credit risk, as it has a large number of credit customers, mainly ratepayers, and the Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

The Council invests funds only in deposits with registered banks and local authority stock and its Investment policy limits the amount of credit exposure to any one institution or organisation.

Investments in other Local Authorities are secured by charges over rates. Other than other local authorities, the Group only invests funds with those entities, which have a Standard and Poor's credit rating of at least A2 for short term and A - for long-term investments. Accordingly, the Group does not require any collateral or security to support these financial instruments.

The Group manages its exposure to credit risk from trade receivables by performing credit evaluations on all customers requiring credit whenever possible, and continuously monitoring the outstanding credit exposure to individual customers. The Group does not generally require or hold collateral against credit risk.

The Electricity Invercargill Limited group is exposed to a concentration of credit risk with regards to the amounts owing by energy retailers for line charges. However, these entities are considered to be high credit quality entities. An amount of \$1,654,000 (2016: \$1,654,000) is owed by energy retailers at balance date.

For counterparties with credit ratings the cash at bank and deposits are held in banks with credit ratings from BBB to AA-. Derivative financial instruments assets are held with banks with credit ratings of AA-. For counterparties without credit ratings the community (non subsidiary) and related party loans are with parties that have had no defaults in the past.

### • Liquidity risk

Liquidity risk is the risk that the Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Council aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the Council maintains a target level of investments that must mature within the next 12 months.

The Council manages its borrowings in accordance with its funding and financial policies, which includes a Liability Management Policy. These policies have been adopted as part of the Council's Long-Term Plan.

**31 Financial instrument risk (continued)**

The tables below analyse the Council's and the Group's financial assets and liabilities (excluding derivatives) into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

**Council 2017**

	Carrying amount (\$'000)	Contractual cash flows (\$'000)	Maturity dates			Total (\$'000)
			< 1 year (\$'000)	1-3 years (\$'000)	> 3 years (\$'000)	
<b>Financial assets</b>						
Cash, cash equivalents and bank overdrafts	7,796	7,796	7,796	-	-	7,796
Receivables and prepayments	7,023	7,024	7,024	-	-	7,024
Dividends receivable	5,300	5,300	5,300	-	-	5,300
Available-for-sale financial assets	682	682	-	-	682	682
Short term investments	11,503	11,503	11,503	-	-	11,503
Other investments	40,516	40,156	-	-	40,156	40,156
<b>Total financial assets</b>	<b>72,820</b>	<b>72,461</b>	<b>31,623</b>	<b>-</b>	<b>40,838</b>	<b>72,461</b>
<b>Financial liabilities</b>						
Trade and other payables, provisions and employee benefit liabilities	14,880	14,456	12,409	2,047	-	14,456
Borrowings - secured loans	85,986	92,427	2,338	68,197	21,892	92,427
<b>Total financial liabilities</b>	<b>100,866</b>	<b>106,883</b>	<b>14,747</b>	<b>70,244</b>	<b>21,892</b>	<b>106,883</b>

**Group 2017**

	Carrying amount (\$'000)	Contractual cash flows (\$'000)	Maturity dates			Total (\$'000)
			< 1 year (\$'000)	1-3 years (\$'000)	> 3 years (\$'000)	
<b>Financial assets</b>						
Cash and cash equivalents and bank overdrafts	12,899	12,899	12,899	-	-	12,899
Receivables and prepayments	9,866	9,866	9,866	-	-	9,866
Available-for-sale financial assets	682	682	-	-	682	682
Short term investments	13,003	13,003	13,003	-	-	13,003
Other investments	13,124	42,701	2,545	-	40,156	42,701
<b>Total financial assets</b>	<b>49,574</b>	<b>79,151</b>	<b>38,313</b>	<b>-</b>	<b>40,838</b>	<b>79,151</b>
<b>Financial liabilities</b>						
Trade and other payables, provisions and employee benefit liabilities	19,095	18,644	16,597	2,047	-	18,644
Borrowings - secured loans	164,467	210,136	5,421	71,281	133,434	210,136
<b>Total financial liabilities</b>	<b>183,562</b>	<b>228,780</b>	<b>22,018</b>	<b>73,328</b>	<b>133,434</b>	<b>228,780</b>

**31 Financial instrument risk (continued)**

The tables below analyse the Council's and the Group's financial assets and liabilities (excluding derivatives) into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

**Council 2016**

	Carrying amount (\$'000)	Contractual cash flows (\$'000)	Maturity dates			Total (\$'000)
			< 1 year (\$'000)	1-3 years (\$'000)	> 3 years (\$'000)	
<b>Financial assets</b>						
Cash, cash equivalents and bank overdrafts	8,519	8,519	8,519	-	-	8,519
Receivables and prepayments	7,856	7,856	7,856	-	-	7,856
Dividends receivable	4,700	4,700	4,700	-	-	4,700
Available-for-sale financial assets	650	650	-	-	650	650
Short term investments	20,275	27,221	27,221	-	-	27,221
Other investments	30,085	23,139	-	-	23,139	23,139
Total financial assets	72,085	72,085	48,296	-	23,789	72,085
<b>Financial liabilities</b>						
Trade and other payables, provisions and employee benefit liabilities	14,270	13,918	11,864	2,054	-	13,918
Borrowings - secured loans	71,248	83,691	2,691	47,535	33,465	83,691
Total financial liabilities	85,518	97,609	14,555	49,589	33,465	97,609

**Group 2016**

	Carrying amount (\$'000)	Contractual cash flows (\$'000)	Maturity dates			Total (\$'000)
			< 1 year (\$'000)	1-3 years (\$'000)	> 3 years (\$'000)	
<b>Financial assets</b>						
Cash, cash equivalents and bank overdrafts	11,378	11,378	11,378	-	-	11,378
Receivables and prepayments	7,856	10,995	10,995	-	-	10,995
Available-for-sale financial assets	650	650	-	-	650	650
Short term investments	20,275	27,221	27,221	-	-	27,221
Other investments	4,177	27,435	1,135	3,161	23,139	27,435
Total financial assets	44,336	77,679	50,729	3,161	23,789	77,679
<b>Financial liabilities</b>						
Trade and other payables, provisions and employee benefit liabilities	21,455	21,455	19,401	2,054	-	21,455
Borrowings - secured loans	152,111	210,987	8,169	53,013	149,805	210,987
	173,566	232,442	27,570	55,067	149,805	232,442

The maturity profiles of the Council's interest bearing borrowings are disclosed in note 22.

### 31 Financial instrument risk (continued)

The tables below analyse the Council's and the Group's derivative financial assets and liabilities that are settled on a net basis into their relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

#### Council 2017

	Carrying amount (\$000)	Contractual cash flows (\$000)	Maturity dates			Total (\$000)
			< 1 year (\$000)	1-3 years (\$000)	> 3 years (\$000)	
<b>Financial assets</b>						
Derivative financial instruments	207	322	13	34	275	322
Total financial assets	207	322	13	34	275	322
<b>Financial liabilities</b>						
Derivative financial instruments	709	811	390	222	199	811
Total financial liabilities	709	811	390	222	199	811

#### Group 2017

	Carrying amount (\$000)	Contractual cash flows (\$000)	Maturity dates			Total (\$000)
			< 1 year (\$000)	1-3 years (\$000)	> 3 years (\$000)	
<b>Financial assets</b>						
Derivative financial instruments	254	287	(24)	61	250	287
Total financial assets	254	287	(24)	61	250	287
<b>Financial liabilities</b>						
Derivative financial instruments	3,427	4,639	1,491	1,779	1,369	4,639
Total financial liabilities	3,427	4,639	1,491	1,779	1,369	4,639

## 31 Financial instrument risk (continued)

**Council 2016**

	Carrying amount (\$000)	Contractual cash flows (\$000)	Maturity dates			Total (\$000)
			< 1 year (\$000)	1-3 years (\$000)	> 3 years (\$000)	
<b>Financial assets</b>						
Derivative financial instruments	-	-	-	-	-	-
Total financial assets	-	-	-	-	-	-
<b>Financial liabilities</b>						
Derivative financial instruments	1,122	1,472	399	516	557	1,472
Total financial liabilities	1,122	1,472	399	516	557	1,472

**Group 2016**

	Carrying amount (\$000)	Contractual cash flows (\$000)	Maturity dates			Total (\$000)
			< 1 year (\$000)	1-3 years (\$000)	> 3 years (\$000)	
<b>Financial assets</b>						
Derivative financial instruments	-	-	-	-	-	-
Total financial assets	-	-	-	-	-	-
<b>Financial liabilities</b>						
Derivative financial instruments	5,803	7,261	1,594	2,525	3,142	7,261
Total financial liabilities	5,803	7,261	1,594	2,525	3,142	7,261

**31 Financial instrument risk (continued)****• Market risk.*****Price risk***

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Council is exposed to equity securities price risk on its investments, which are classified as financial assets held at fair value through equity. This price risk arises due to market movements in listed securities. This price risk is managed by diversification of the Council's investment portfolio in accordance with the limits set out in the Council's Investment policy.

***Currency risk***

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates the Council is not exposed to currency risk, as it does not enter into foreign currency transactions.

***Interest rate risk******Fair value interest rate risk***

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowing issued at fixed rates expose the Council to fair value interest rate risk. The Council's Liability Management policy outlines the level of borrowing that is to be secured using fixed rate instruments. Fixed to floating interest rate swaps are entered into to hedge the fair value interest rate risk arising where the Council has borrowed at fixed rates. In addition, investments at fixed interest rates expose the Council to fair value interest rate risk.

The interest rates on the Council's borrowings are disclosed in note 22.



**31 Financial instrument risk (continued)**

***Interest rate risk (continued)***

The financial assets and liabilities are exposed to interest rate risk as follows:

Financial assets

Cash and cash equivalents	Variable interest rates
Trade and other receivables	Non-interest bearing
Dividends receivable	Non-interest bearing
Derivative financial instruments (interest rate swaps)	Variable interest rates
Advances	Fixed and variable interest rates
Short term investments	Variable interest rates

Financial liabilities

Trade and other payables	Non-interest bearing
Dividends payable	Non-interest bearing
Advances	Variable interest rates
Borrowings - secured loans	Variable interest rates
Derivative financial instruments (interest rate swaps)	Variable interest rates

### 31 Financial instrument risk (continued)

#### Interest rate risk (continued)

##### Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Council to cash flow interest rate risk.

The Council manages its cash flow interest rate risk on borrowings by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings at floating rates and swaps them into fixed rates that are generally lower than those available if the Council borrowed at fixed rates directly. Under the interest rate swaps, the Council agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

The notional principal outstanding in regard to the interest rate swaps is as follows:

	<b>Council Actual 2017 (\$000)</b>	<b>Council Actual 2016 (\$000)</b>	<b>Group Actual 2017 (\$000)</b>	<b>Group Actual 2016 (\$000)</b>
	<b>Liability</b>	<b>Liability</b>	<b>Liability</b>	<b>Liability</b>
Maturity < 1 year	7,000	4,000	8,700	14,300
Maturity 1-2 years	5,000	7,000	26,500	8,700
Maturity 2-3 years	-	5,000	7,500	26,500
Maturity 3-4 years	7,000	-	17,000	7,500
Maturity 4-5 years	-	7,000	8,000	17,000
Maturity 5-6 years	-	-	13,000	8,000
Maturity 6-7 years	-	-	13,000	13,000
Maturity 7-10 years	15,000	15,000	34,000	33,000
	<b>34,000</b>	<b>38,000</b>	<b>127,700</b>	<b>128,000</b>

### 31 Financial instrument risk (continued)

#### Interest rate risk (continued)

##### Effectiveness of cash flow hedges

The matched terms method is used in applying hedges. In all cases the terms of both the hedge instrument (Interest rate swap derivative) and the underlying transaction are matched.

	Council		Group	
	2017	2016	2017	2016
	%	%	%	%
Effectiveness	100	100	100	100

##### Sensitivity analysis on financial instruments

##### Investments:

If interest rates on investments at 30 June, 2017 had fluctuated by plus or minus 0.5%, the effect would have been to decrease/increase the surplus after tax by \$129,457 (2016: \$92,506).

##### Borrowings:

If interest rates on borrowings at 30 June, 2017 had fluctuated by plus or minus 0.5%, the effect would have been to decrease/increase the surplus after tax. This is as a result of higher/lower interest expense on floating rate borrowings for Council by \$113,182 (2016: \$105,007) and for Invercargill City Holdings Limited \$116,599 (2016: \$139,405).

##### Cash and cash equivalents

included deposits at call which are at floating interest rates. Sensitivity to a 0.5% movements in rates is immaterial as these cash deposits are very short term.

##### Derivative asset: Cash flow hedge

The derivatives are hedge accounted and managed by the company to be 100% effective and thus there is no sensitivity to the profit and loss to change in the interest rates.

Sensitivity to a 0.5% movements in rates is as follows and affect the equity balance of the Group:

#### Interest rate swaps

	Carrying amount	Equity change	
	Year 2017	+0.5%	-0.5%
	\$000	\$000	\$000
Council	(502)	47	(1,070)
Invercargill City Holdings Limited	(2,671)	1,350	(1,396)
	(3,173)	1,397	(2,466)
	Year 2016	+0.5%	-0.5%
	\$000	\$000	\$000
Council	(1,122)	696	(721)
Invercargill City Holdings Limited	(4,681)	1,477	(1,525)
	(5,803)	2,173	(2,246)

**31 Financial instrument risk (continued)**

Fair Value measurements recognised in the Statement of Comprehensive Revenue and Expense

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

**Level 1**

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2**

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3**

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**31 Financial instrument risk (continued)**

## Fair Value Measurement

	Council 2017			
	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)	Total (\$000)
<b>Assets at fair value</b>				
Derivatives	-	207	-	207
Biological assets	-	-	3,426	3,426
Network assets	-	-	671,923	671,923
Investment property	-	-	25,194	25,194
Land and buildings	-	-	89,168	89,168
Library books	-	-	3,927	3,927
Total assets at fair value	-	207	793,638	793,845

**Liabilities at fair value**

Derivatives	-	709	-	709
Total liabilities at fair value	-	709	-	709

	Council 2016			
	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)	Total (\$000)
<b>Assets at fair value</b>				
Derivatives	-	-	-	-
Biological assets	-	-	2,893	2,893
Network assets	-	-	536,048	536,048
Investment property	-	-	26,458	26,458
Land and buildings	-	-	82,751	82,751
Library books	-	-	4,120	4,120
Total assets at fair value	-	-	652,270	652,270

**Liabilities at fair value**

Derivatives	-	1,122	-	1,122
Total liabilities at fair value	-	1,122	-	1,122

**31 Financial instrument risk (continued)**

Fair Value Measurement (continued)

	Group 2017			
	Level 1	Level 2	Level 3	Total
	(\$000)	(\$000)	(\$000)	(\$000)
<b>Assets at fair value</b>				
Derivatives	-	254	-	254
Biological assets	-	-	23,293	23,293
Network assets	-	-	754,903	754,903
Investment property	-	-	29,029	29,029
Land and buildings	-	-	89,168	89,168
Library books	-	-	3,927	3,927
Total Assets at fair value	-	254	900,320	900,574

**Liabilities at fair value**

Derivatives	-	3,427	-	3,427
Total liabilities at fair value	-	3,427	-	3,427

	Group 2016			
	Level 1	Level 2	Level 3	Total
	(\$000)	(\$000)	(\$000)	(\$000)
<b>Assets at fair value</b>				
Derivatives	-	-	-	-
Biological assets	-	-	20,152	20,152
Network assets	-	-	615,964	615,964
Investment property	-	-	30,236	30,236
Land and buildings	-	-	82,751	82,751
Library books	-	-	4,120	4,120
Total Assets at fair value	-	-	753,223	753,223

**Liabilities at fair value**

Derivatives	-	5,803	-	5,803
Total liabilities at fair value	-	5,803	-	5,803

**31 Financial instrument risk (continued)**

	<b>Council Actual 2017 (\$000)</b>	<b>Council Actual 2016 (\$000)</b>	<b>Group Actual 2017 (\$000)</b>	<b>Group Actual 2016 (\$000)</b>
<b>Level 3 fair value measurements</b>				
Balance at beginning of the year	652,270	651,967	753,223	748,443
Unrealised net change in value of assets	140,178	576	146,976	2,630
Purchases	25,434	19,898	29,568	26,657
Sales	(766)	(121)	(2,650)	(1,286)
Reclassified to non-current assets held for resale	(1,803)	-	(1,803)	-
Depreciation and impairment	(21,675)	(20,050)	(24,994)	(23,221)
Balance at the end of the year	793,638	652,270	900,320	753,223

### 31 Financial instrument risk (continued)

#### Fair Value Measurement (continued)

The Council and Group carries interest rate swaps (derivative financial instruments) at fair value. These instruments are included in Level 2 of the fair value measurement hierarchy. Interest rate swaps are held with financial institutions with investment grade credit ratings. Interest rate derivative fair values are valued using swap model valuation techniques using present value calculations. The key inputs include interest rate curves and forward rate curves.

The Council's and Group's biological assets were valued by external valuation on the basis of fair value in accordance with the New Zealand Institute of Forestry (NZIF) valuation guidelines. The discounted cash flow (DCF) method is used with the exception of development forests where a compound cost basis is used. The valuation excludes funding and taxation. The discount rate is based on the mid-point of the valuer's analysis of the implied pre-tax discount rates from actual transactions. The pre-tax discount rate chosen for the Council's 2017 valuation is 9.5% (2016: 10%). The pre-tax discount rate chosen for the Group's 2017 valuation is 7.5% (2016: 8%). The cash flow term for the valuation is 12 years (Council) and 32 years (Group).

The Council's network assets (roads and bridges) and valued three yearly by staff of the Council and reviewed by AECOM NZ Ltd, an independent valuer. The depreciated replacement cost method is used based on the current age profile compared to useful life.

The Council's water, stormwater, and wastewater pipes and fittings are valued three yearly by staff of the Council and reviewed by AECOM Ltd, an independent valuer. The Council's water, stormwater, and wastewater plant assets are valued three yearly by AECOM directly. The depreciated replacement cost method is used based on the current age profile compared to useful life.

The Group's subsidiary, Electricity Invercargill Limited's network assets are valued by external valuation on the basis of fair value using the discounted cash flow (DCF) method. The network assets are revalued every five years. The key inputs include discount rate, growth rate and future cash flows. The cash flow term for the valuation is five years.

The Council's and Group's investment properties are valued annually by external valuation at fair value effective 30 June. All Council investment properties were valued based on open market evidence. The Group's investment properties were valued based on open market evidence with the exception of two properties that are planned to be replaced within the next two years, where a discounted cash flow (DCF) method is used.

The Council's operational land and buildings are valued three yearly at fair value by Quotable Value New Zealand, independent valuers.

The Council's library books are valued three yearly by staff of the Council on the basis of depreciated replacement cost.



## 32 Capital management

The Council's capital is its equity (or ratepayers' funds), which comprise retained earnings and reserves. Equity is represented by net assets.

The Local Government Act 2002 (the Act) requires the Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayer's funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long Term Plan (LTP) and in its annual plan (where applicable) to meet the expenditure needs identified in those plans. And the Act sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTP.

The Council has the following Council created reserves:

- reserves for different areas of benefit;
- self-insurance reserves; and
- trust and bequest reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events. The release of these funds generally can only be approved by the Council.

Trust and bequest reserves are set up where the Council has been donated funds that are restricted for particular purposes. Interest is added to trust and bequest reserves where applicable and deductions are made where funds have been used for the purpose they were donated.

### 33 Explanation of major variances

#### Statement of Comprehensive Revenue and Expense - Council

		Actual 2017 (\$000)	Budget 2017 (\$000)	Actual 2016 (\$000)	Variance to Budget 2017 (\$000)	Variance to Actual 2016 (\$000)
<b>Revenue</b>						
Rates revenue		49,003	48,166	47,883	837	1,120
Fines	1	279	559	448	(280)	(169)
Subsidies and grants	2	6,742	6,936	7,863	(194)	(1,121)
Direct charges revenue		20,451	20,129	19,464	322	987
Rental revenue	3	2,013	1,498	1,851	515	162
Finance revenue	4	1,970	2,090	1,043	(120)	927
Dividends	5	5,300	5,300	4,700	-	600
Property, plant and equipment acquired in non-exchange transactions		99	-	-	99	99
<b>Expenditure</b>						
Employee expenses	6	23,602	23,202	23,012	400	590
Depreciation and amortisation		23,527	23,897	21,890	(370)	1,637
General expenses	7	37,095	38,814	36,490	(1,719)	605
Finance expenses	8	2,738	3,842	2,253	(1,104)	485
Other gains/(losses)	9	1,073	696	1,245	377	(172)
<b>Other comprehensive revenue and expense</b>						
Property, plant and equipment revaluation gains/(losses)	10	139,155	50,218	-	88,937	139,155
Carbon credit revaluation gains/(losses)		(5)	-	340	(5)	(345)
Cash flow hedges		621	-	(554)	621	1,175
<b>Total variance in Statement of Comprehensive Revenue and Expense</b>		139,739	45,837	638	93,902	139,101

### 33 Explanation of major variances (continued)

#### 2017 Variance analysis against 2017 Budget

- 1 - Fines are lower than budget due to a larger portion being recovered back from the Court process rather than the fines being collected directly from the person themselves and being included as fines. Costs recovered via the Court are included in Direct charges revenue.
- 3 - Rental revenue - higher than budget due to commercial rents for industrial sites being greater than was anticipated within the budget.
- 6 - Employee Expenses are higher than budget due to funds from the 15/16 financial year carried forward into the 16/17 year and being spent. These relate mainly to staff training costs.
- 7 - General Expenses are 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.
- 8 - Finance expenses are lower than budget due to the Councils average rate of borrowing being lower than anticipated during 2016/17. This is a result of interest rates being lower and staying lower longer than the market has been predicting. Also some loan funded projects that Council had planned to do during the year have not been completed. These relate to the CBD redevelopment project and work required on the Civic Administration building. Also some infrastructure projects are yet to be completed and have been carry forward into the 2017/18 year.
- 9 - Other gains/(losses) - are higher than budget due to the revaluation of Council's Forestry assets being higher than anticipated.
- 10 - Property, plant and equipment revaluation gains/(losses) are higher than budget due to the revaluation information from independent third party valuers being significantly higher than anticipated.

#### 2017 Variance analysis against 2016 Actuals

- 1 - Fines are lower than actual 2016 due to a larger portion being recovered back from the Court process rather than the fines being collected directly from the person themselves. Fines recovered via the Court are included within Direct charges revenue.
- 2 - Subsidies and grants are lower than actual 2016 due to less NZTA subsidies being received in 2016/17 for Roading work as a result of decreased work programme. Also the Financial Assistance Rate (FAR) provided by NZTA has decreased by 1% from 2016.
- 4 - Finance Revenue is higher than actual 2016 due to ICC on-lending a \$30m Bond during the full 2016/17 year. The Bond was only in place for part of the 2015/16 year.
- 5 - Dividends are higher than 2016 due to Invercargill City Holdings Ltd increasing its dividend to Council for the 2017 year.
- 8 - Finance expenses are higher than actual 2016 due to the \$30m Bond to Holdco being in place for the full year. Also the Council took on additional debt during the 2016/17 year, mainly for the Don Street Business House Development and the Bransholme Treatment plant upgrade. This increasing debt has been offset somewhat by Council's lower average cost of capital (interest rate) during 2016/17.

**33 Explanation of major variances (continued)***Statement of Financial Position - Council*

		<b>Actual 2017 (\$000)</b>	<b>Budget 2017 (\$000)</b>	<b>Actual 2016 (\$000)</b>	<b>Variance to Budget 2017 (\$000)</b>	<b>Variance to Actual 2016 (\$000)</b>
<b>Current assets</b>						
Cash and cash equivalents		7,796	4,368	8,519	3,428	(723)
Receivables		11,658	11,488	12,090	170	(432)
Prepayments		665	-	466	665	199
Inventories		753	669	676	84	77
Non-current assets held for resale	1	1,803	-	-	1,803	1,803
Other financial assets	2	11,503	-	20,275	11,503	(8,772)
<b>Non-current assets</b>						
Work in progress	3	13,945	-	3,865	13,945	10,080
Property, plant and equipment	3	782,973	715,473	640,503	67,500	142,470
Intangible assets		870	339	837	531	33
Forestry assets	4	3,426	2,481	2,893	945	533
Investment property	5	25,194	35,089	26,458	(9,895)	(1,264)
Investment in CCOs and similar entities		36,069	36,069	36,069	-	-
Other financial assets - Other investments	6	41,198	51,479	30,735	(10,281)	10,463
Other financial assets - Derivative financial instruments		207	-	-	207	207
<b>Current liabilities</b>						
Trade and other payables		10,143	10,291	9,608	(148)	535
Provisions		112	84	112	28	-
Employee benefit liabilities		2,578	2,296	2,496	282	82
Borrowings	7	35,786	3,649	21,248	32,137	14,538
Derivative financial instruments		188	6	11	182	177
<b>Non-current liabilities</b>						
Provisions		816	743	816	73	-
Employee benefit liabilities		1,231	809	1,238	422	(7)
Borrowings	7	50,200	99,023	50,000	(48,823)	200
Derivative financial instruments	8	521	647	1,111	(126)	(590)
<b>Equity</b>						
Retained earnings		393,975	397,502	398,739	(3,527)	(4,764)
Other reserves		442,510	342,405	298,007	100,105	144,503
Total variance in net assets and equity		836,485	739,907	696,746	96,578	139,739

### 33 Explanation of major variances (continued)

#### 2017 Variance analysis against 2017 Budget

- 1 - Non-current assets held for resale are higher than budget due to a property being prepared for sale as at 30 June 2017 and Council had resolved to sell the property in September 2016.
- 2 - Other financial assets are higher than budget due to all short and long term investments being budgeted into non current assets.
- 3 - Work in progress and Property, plant and equipment are higher than budget due to the 3 yearly asset revaluation being significantly higher than was anticipated. The overall revaluation showed an increase of approximately 30% on previous values. Some capital expenditure project have not be completed during the 16/17 financial year (approx. \$15m) these deferred projects have been carried forward into the 2017/18 financial year.
- 4 - Forestry assets are higher than budget due to the 2017 revaluation being higher than anticipated. These valuations were provided by independent valuers, Woodlands Pacific Ltd.
- 5 - Investment property is lower than budget due to the Don Street property development costs being held in work in progress as at 30 June 2017. The Development project was 90% completed at year end and was scheduled to be completed by early October 2017.
- 6 - Other financial assets - Other investments are lower than budget due to some short term investments (less than 1 year to maturity) being reclassified into current assets.
- 7 - Total borrowings are lower than budget due to less debt being drawn down than was anticipated during 2017. This was due to some capital expenditure projects being deferred, these were mainly related to work on the Civic administration building and the CBD redevelopment project.

#### 2017 Variance analysis against 2016 Actuals

- 2 - Other financial assets are higher than actual 2016 due to \$5,000,000 worth of call investment being moved into cash and cash equivalents in the 2016/17 year.
- 3 - Work in progress and Property, plant and equipment is higher than actual 2016 due to the 3 yearly infrastructural asset revaluation being higher than anticipated.
- 7 - Borrowings are higher than actual 2016 due to new loans being drawn down during the year, particularly for the Branhholme Treatment Plant upgrade and the Don Street Development projects.
- 8 - Derivative financial instruments are lower than actual 2016 as Council's interest rate hedge arrangement become less of a liability due to increasing floating interest rates against fixed rate hedges.

The above comments have focused on major variances only.

### 34 Impact of change in accounting standards

There has been no change in accounting standards that have had an impact on the preparation of theses financial statements.

### 35 Impact of change in accounting policies

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

# 230 Statement of Accounting Policies

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## REPORTING ENTITY

Invercargill City Council ("the Council") is a territorial local authority governed by the Local Government Act 2002.

The Council Group consists of Invercargill City Council and its subsidiaries, Invercargill City Holdings Limited (100% owned) and its subsidiaries, Invercargill Venue and Events Management Limited (100% owned), Invercargill City Charitable Trust (100% owned) and Invercargill Community Recreation and Sports Trust (100% owned). The Council has three joint committees, Venture Southland (42% share of the voting rights), Southland Regional Heritage Committee (64% share of voting rights) and Emergency Management Southland (28% share of voting rights) which are proportionally consolidated into the parent.

The Invercargill City Holdings Limited Group consists of:

- Electricity Invercargill Limited (100% owned) and its wholly owned subsidiary Pylon Limited.
- Invercargill City Forests Limited (100% owned).
- Invercargill Airport Limited (97% owned).
- Invercargill City Property Limited (100% owned).

All Invercargill City Council subsidiaries and associates are incorporated in New Zealand.

The primary objective of the Council is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, the Council has designated itself and the group as public benefit entities (PBE) for financial reporting purpose.

The financial statements of the Council are for the year ended 30 June 2017. The financial statements were authorised for issue by Council on 31 October 2017.

## BASIS OF PREPARATION

The financial statements of the Council have been prepared in accordance with the Tier 1 PBE accounting standards.

These financial statements comply with the PBE standards.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared on the going concern basis.

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, certain infrastructure assets, investment property, biological assets and financial instruments (including derivative instruments).

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$' 000) unless otherwise stated. The functional currency of the Council and Group is New Zealand dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the Statement of Comprehensive Revenue and Expense.

## SUBSIDIARIES

The Council consolidates as subsidiaries in the group financial statements all entities where the Council has the capacity to control their financing and operating policies as to obtain benefits from the activities of the entity. This power exists where the Council controls the majority voting power on the governing body or where such policies have been irreversibly

predetermined by the Council or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

The Council measures the cost of a business combination as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or presumed, in exchange for control of the subsidiary plus any costs directly attributable to the business combination.

Any excess of the cost of the business combination over the Council's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill.

## BASIS OF CONSOLIDATION

The method used to prepare the consolidated financial statements, involves adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intragroup balances, transactions, income and expenses are eliminated on consolidation.

The Council's investment in its subsidiaries are carried at deemed cost in the Council's own "parent entity" financial statements. Deemed cost is based on the net asset value of the subsidiary on conversion to NZ IRFS.

## ASSOCIATES

The Council and Group accounts for investments in associates in the group financial statements using the equity methods. An associate is an entity over which the Council and Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investments in associates is initially recognised at cost and the carrying amount is increased or decreased to recognise the

Council's and Group's share of the surplus or deficit of the associates is recognised in the Council's and Group's Statement of Comprehensive Revenue and Expenses at the group level. Distributions received from associates reduce the carrying amount of the investment.

The Council's and Group's share in the associate's surplus or deficit resulting from unrealised gains on transactions between the Council and Group and its associates eliminated.

The Council investments in associates are carried at cost in the Council's own financial statements.

## JOINT VENTURES

Joint ventures are those entities over which the Council and Group has joint control, established by contractual agreement. The consolidated financial statements of the Group uses the Equity method of consolidation. The Group's share of the surplus or deficit of the joint venture is recognised in the Group's Statement of Comprehensive Revenue and Expenses, from the date joint control commences until the date control ceases.

## REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised.

## **Revenue from non-exchange transactions:**

### ***General and targeted rates***

Rates are set annually by a resolution from Council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when payable.

Water billing revenue is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.

### ***Government grants and funding***

The Council receives government grants from the New Zealand Transport Agency, which subsidises part of the Council's costs in maintaining the local roading infrastructure.

Revenues from non-exchange transactions with the Government and government agencies is recognised when the Group obtains control of the transferred asset (cash, goods, services, or property), and:

- It is probable that the economic benefits or service potential related to the asset will flow to the Group and can be measured reliably; and
- The transfer is free from conditions that require the asset to be refunded or returned to the Government if the conditions are not fulfilled.

Revenue from government grants and funding is measured at the fair value of the assets (cash, goods, services, or property) transferred over to the Group at the time of transfer.

To the extent that there is a condition attached that would give rise to a liability to repay the grant amount or to return the granted asset, a deferred revenue liability is recognised instead of revenue. Revenue is then recognised only when the Group has satisfied these conditions.

New Zealand Units (NZU's) allocated by the Crown represent non-monetary government grants and are initially recognised at nil value. Gains and losses on disposals are determined by comparing proceeds with the carrying amounts. These are included in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

### ***Fines***

Traffic and parking infringements are recognised when tickets are issued.

### ***Direct Charges - subsidised***

#### ***(i) Rendering of services - subsidised***

Rendering of services at a price that is not approximately equal to the value of the service provided by the Council or Group is considered a non-exchange transaction. This includes rendering of services where the price does not allow the Council to fully recover the cost of providing the service (such as resource consents, building consents, water connections, dog licensing, etc.), and where the shortfall is subsidised by income from other activities, such as rates. Generally there are no conditions attached to such revenue.

Revenue from such subsidised services is recognised when the Council or Group issues the invoice or bill for the service. Revenue is recognised at the amount of the invoice or bill, which is the fair value of the cash received or receivable for the service. Revenue is recognised by reference to the stage of completion of the service to the extent that the Council or Group has an obligation to refund the cash received from the service (or to the extent that the customer has the right to withhold payment from the Council or Group for the service) if the service is not completed.

Contributions from customers in relation to the construction of new lines for the network are accounted for as income in the year which they have been received.



**(ii) Sale of goods - subsidised**

The sale of goods at a price that is not approximately equal to the value of the goods provided by the Council or Group is considered a non-exchange transaction. This includes the sale of goods where the price does not allow the Council to fully recover the cost of producing the goods, and where the shortfall is subsidised by income from other activities such as rates.

Revenue from the sale of such subsidised goods is recognised when the Council or Group issues the invoice or bill for the goods. Revenue is recognised at the amount of the invoice or bill, which is the fair value of the cash received or receivable for the goods.

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in the Council are recognised as revenue when control over the asset is obtained.

**Revenue from exchange transactions:*****Direct charges - full cost recovery*****(i) Rendering of other services - full cost recovery**

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

**(ii) Sale of goods - full cost recovery**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be reliably estimated and there is no continuing management involved with the goods.

**Interest Revenue**

Interest income is recognised using the effective interest method.

**Dividends**

Dividends are recognised when the right to receive payment has been established.

**CONSTRUCTION CONTRACTS**

Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract at balance date. The stage of completion is measured by reference to the contract costs incurred up to balance date as a percentage of total estimated costs for each contract.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the group's construction activities in general.

An expected loss on construction contracts is recognised immediately as an expense in the Statement of Comprehensive Revenue and Expenses.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented under other liabilities.

## **BORROWING COSTS**

Borrowing costs are recognised as an expense in the period in which they occurred.

## **GRANT EXPENDITURE**

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the Council's decision.

## **INCOME TAX**

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date. Current tax and deferred tax is charged or credited to the surplus/deficit in the Statement of Comprehensive Revenue and Expenses, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

## LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date. The substance of the arrangement depends on whether fulfilment of the arrangement is dependent on the use of a specific asset, or assets, or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

### Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, the Council recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

### Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

## INVENTORIES

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost and current replacement cost.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the FIFO method.

The cost of logs harvested by group companies is the fair value less costs to sell at the time the logs are harvested which becomes the initial cost. Thereafter inventory is carried at the lower of cost and net realisable value.

The write down from cost to current replacement cost or net realisable value is recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

## FINANCIAL ASSETS

The Council and Group classify their financial assets into the following four categories: loans and receivables, held-to-maturity investments, available for sale investments and financial assets at fair value through surplus or deficit. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this delegation at every reporting date.

Financial assets and liabilities are initially measured at fair value plus transaction costs.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Council and Group use a variety of methods and make assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, net asset backing, are used to determine fair value for the remaining financial instruments.

The four categories of financial assets are:

#### **Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses. Loans and receivables are classified as "other financial assets" in the Statement of Financial Position.

Investments in this category include fixed term deposits and loans to associates.

#### **Held-to-Maturity Investment**

Held-to-Maturity Investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Groups management has the positive intention and ability to hold to maturity.

#### **Financial assets at fair value through surplus or deficit**

This category has two sub-categories: financial assets held for trading, and those designated at fair value through surplus or deficit at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

After initial recognition they are measured at their fair values. Gains or losses on remeasurement are recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

#### **Available for sale Investments**

Available for sale investments are those that are designated as being held to maturity or are not classified in any of the other categories above. This category encompasses investments that the Council intends to hold long-term but which may be realised before maturity. After initial recognition these investments are measured at their fair value. Gains and losses are recognised directly in equity except for impairment losses, which are recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses. In the event of impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses even though the asset has not been derecognised. Investments in this category include shares in Local Government Insurance Corporation.

### **Shareholdings that Invercargill City Council holds for strategic purposes**

Shareholdings that Invercargill City Council holds for strategic purposes: Invercargill City Council's investments in its subsidiaries and associate companies are not included in this category as they are held at cost (as allowed by PBE IPSAS 6 (PS) Consolidated and Separate Financial Statements (Public Sector) and PBE IPSAS 7 Investments in Associates) whereas this category is to be measured at fair value.

### **Non-current assets held for sale**

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

### **Impairment of Financial Assets**

At each balance sheet date the Council assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

## **FINANCIAL INSTRUMENTS**

### **Trade and other receivables**

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Loans, including loans to community organisations made by the Council at nil, or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the Statement of Comprehensive Revenue and Expenses as a grant.

A provision for impairment of receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

### **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown separately in current liabilities in the Statement of Financial Position.

### **Borrowings**

Borrowings are initially recognised at their fair value, net of any transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability at least 12 months after the balance date.

### **Trade and other payables**

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost using the effective interest method.

### **Accounting for derivative financial instruments and hedging activities**

The Council and Group uses derivative financial instruments to hedge exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, the Council and Group does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date. However, where derivatives qualify for hedge accounting, recognition for any resultant gain or loss depends on the nature of the hedging relationship.

#### **Cash flow hedge**

Changes in the fair value of the derivatives hedging instruments designated as a cashflow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in surplus or deficit.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in equity will be reclassified into surplus or deficit in the same period or periods during which the asset acquired or liability assumed affects surplus or deficit.

However, if Invercargill City Council expects that all or a portion of a loss recognised directly in equity will not be recovered in one or more future periods, it will reclassify into surplus or deficit the amount that is not expected to be recovered.

When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, then the associated gains and losses that were recognised directly in equity will be included in the initial cost or carrying amount of the asset or liability.

For cash flow hedges other than those covered above, amounts that had been recognised directly in equity will be recognised in surplus or deficit in the same period or periods during which the hedged forecast transaction affects surplus or deficit (for example, when a forecast sale occurs).

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. The amount recognised in equity is transferred to surplus or deficit in the same period that the hedged item affects the surplus or deficit.

## **PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consists of:  
Operational assets - These include land, buildings, library books, plant and equipment, and motor vehicles.

**Restricted assets** - Restricted assets are parks and reserves owned by the Council which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

**Infrastructure assets** - Infrastructure assets are the fixed utility systems owned by the Council. Each asset class includes all items that are required for the network to function, for example, sewer reticulation includes reticulation piping and sewer pump stations.

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

## ADDITIONS

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

## DISPOSALS

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset.

Gains and losses on disposals are included in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

## SUBSEQUENT COSTS

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

## DEPRECIATION

Depreciation is provided on a straight-line and diminishing value basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated

residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

<b>Buildings - Parent</b>	<b>Depreciation Rate</b>
▪ Structures	2-3% SL
▪ Roof	2-3% SL
▪ Electrical	2-3% SL
▪ Plumbing	2-3% SL
▪ Internal Fitout	2-3% SL
▪ Plant	2-3% SL
<b>Buildings - Subsidiaries</b>	<b>Depreciation Rate</b>
Buildings	1% - 15% SL/DV
<b>Furniture and Fittings - Parent and Subsidiaries</b>	<b>Depreciation Rate</b>
Furniture and Fittings	6.7% - 50% DV
<b>Office Equipment - Parent</b>	<b>Depreciation Rate</b>
Office Equipment	14.4% - 60% SL/DV
<b>Office Equipment - Subsidiaries</b>	<b>Depreciation Rate</b>
Office Equipment	5% - 48% SL/DV
<b>EDP Hardware - Subsidiaries</b>	<b>Depreciation Rate</b>
Hardware	9% - 80.4% SL/DV
<b>Infrastructural Assets - Parent</b>	<b>Depreciation Rate</b>
Drainage	2.6% - 6.2% SL
Bridges	1% - 2.5% SL
Traffic Services	2.6% - 12.6% SL
Footpaths and Crossings	6.6% - 13% SL
Features and Structures	4.6% - 6% SL
<b>Roads</b>	
▪ Formation	0%
▪ Shoulder and Pavements	3.5% SL
▪ Top Surface	10.35% SL



Infrastructural Assets - Parent	Depreciation Rate
Drainage	2.6% - 6.2% SL
Bridges	1% - 2.5% SL
Traffic Services	2.6% - 12.6% SL
Footpaths and Crossings	6.6% - 13% SL
Features and Structures	4.6% - 6% SL
<b>Roads</b>	
▪ Formation	0%
Airport Facilities - Subsidiaries	Depreciation Rate
Fences	1.0% - 6.65% SL
Runway, Apron and Taxiway (Base-course and sub-base)	3.0% SL
Top Surface (Runway)	8.3% SL
Top Surface (Apron and Taxiway)	6.7% SL
Roads, Carparks and Stop banks	3.0% SL
Plant - Parent and Subsidiaries	Depreciation Rate
Plant	6% - 60% SL/DV
Tools - Parent	Depreciation Rate
Tools	10% SL where applicable
Motor Vehicles - Parent and Subsidiaries	Depreciation Rate
Motor Vehicles	6.7% - 31.2% SL
Library Collections - Parent	Depreciation Rate
Library Collections	6.67% - 50% SL
<i>The non fiction collection is not depreciated.</i>	
Forestry Road Improvements - Subsidiaries	Depreciation Rate
Forestry Road Improvements	6% DV

The residual value and useful life of an asset is reviewed and adjusted if applicable, at each balance date.

## REVALUATION

Those asset classes that are revalued are valued on a valuation cycle as described below on the basis described below. All other asset classes are carried at depreciated historical cost.

## VALUATION

All assets are valued at historic cost less accumulated depreciation and impairment costs, except the following:

- Operational land and buildings have been valued at fair value by QV.co.nz (Registered Valuers) as at 30 June 2017. Valuations are completed three yearly.

- Restricted land (excluding forestry land) and buildings have been valued at deemed cost. Deemed cost is the fair value being the current valuation at 30 June 2005. This fair value is the net current value by Quotable Value New Zealand (Registered Valuers) as at 30 June 1992.

- Library collections are valued at depreciated replacement cost as at 30 June 2017. Valuation was completed by staff of the Invercargill City Council. Valuations are completed three yearly.

Forest land is revalued to fair value and carried at valuation and is not depreciated. The fair value is determined by independent registered valuers based on the highest and best use of the land. In determining the highest and best use consideration is given as to whether the land has been registered under the New Zealand Emissions Trading Scheme and hence whether there are restrictions on the land use. Land is revalued with sufficient regularity to ensure carrying value does not differ materially from that which would be determined as fair value. It is anticipated that the Land revaluation will occur every three years, unless circumstances require otherwise. New Zealand units received from the government are recognised at cost in the financial statements, which is nil value.

Land and buildings in the 'Restricted Asset' category are subject to restrictions on either use or disposal, or both. This includes restrictions from legislation (such as land declared as a reserve under the Reserves Act 1977), or other restrictions (such as land or buildings acquired under a bequest or donation that restricts the purpose for which the assets can be used).

#### ***Infrastructural assets:***

##### **Land under Roads**

Land under roads has been valued at deemed cost at transition to NZIFRS. Deemed cost is the fair value being the current valuation at 30 June 2005.

##### **Roads and Bridges**

Roads and Bridges are valued at depreciated replacement cost, being gross replacement cost less accumulated depreciation to date, based on the Current Age Profile compared to Useful Life. Valuation has been completed by staff of the Invercargill City Council and reviewed by AECOM NZ Ltd. The current valuation is as at 30 June 2017. Valuations are completed three yearly.

##### **Stormwater, Wastewater and Water Systems**

Assets are valued at depreciated replacement cost, being gross replacement cost less accumulated depreciation to date, based on the Current Age Profile compared to Useful Life. Valuation has been completed by Council staff and reviewed by AECOM NZ. The current valuation is as at 30 June 2017. Valuations are completed three yearly.

##### **Vested assets**

Certain infrastructure assets and land have been vested in the Council as part of the subdivisional consent process.

The vested reserve land has been valued at deemed cost. Deemed cost is the fair value being the current valuation at 30 June 2005. This fair value is the 2005 Beca Rating Valuation.

Vested infrastructural assets have been valued based on the actual quantities of infrastructural components vested and current "in the ground" cost of providing identical services. Unless there is a use or return condition attached to the asset.

##### **Network assets of Electricity Invercargill Limited:**

The electricity distribution network is valued at fair value. Fair value is determined on the basis of a periodic valuation, at a maximum of every five years based on discounted cashflow methodology.

**Aeronautical assets of Invercargill Airport Limited:**

Runway, taxiway and apron assets are revalued with sufficient regularity to ensure carrying value does not differ materially from that which would be determined as fair value. It is anticipated that the revaluation will occur every three to five years unless circumstances require otherwise. For the purpose of financial reporting the runway assets are treated as one asset.

The valuation of the Runway assets is performed using the discounted cashflow methodology over the assets as a whole and values apportioned to each component on a prorated basis or on the basis of a review of the physical conditions of component parts.

**Accounting for revaluations**

The Council accounts for revaluations of property, plant and equipment on a class of asset basis.

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

Any subsequent increase on revaluation that offsets a previous decrease in value recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses will be recognised first in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

The replacement costs where appropriate, reflect optimisation due to design or surplus capacity. The Council has estimated that the necessary infrastructural asset network capacity to service the Invercargill City area is on 100% of the existing capacity, i.e. no surplus capacity. The valuation of these assets therefore assumes the existing assets will be replaced with assets of similar capacity.

**CAPITAL WORK IN PROGRESS**

Work in progress includes the cost of direct materials and direct labour used in putting replacement and new systems and plant in their present location and condition. It includes accruals for the proportion of work completed at the end of the period. Capital work in progress is not depreciated.

**INTANGIBLE ASSETS**

Intangible assets that are acquired by the Group, which have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged to the surplus/deficit in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses on a straight-line basis over the estimated useful economic lives of the intangible assets. The amortisation rates for the current period are as follows: Software 12.5-48% Straight Line/Diminishing Value

**Carbon Credits Intangible Asset**

Carbon credits intangible assets that are acquired by Council have been measured at fair value upon acquisition and subsequently revalued to fair value annually. Any revaluation gain/losses are recognised in Other Comprehensive Revenue and Expense.

## FORESTRY ASSETS

Forestry assets are independently revalued annually at fair value less estimated point of sale costs. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate.

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

The costs to maintain the forestry assets are included in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

## INVESTMENT PROPERTY

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, the Council measures all investment property at fair value as determined annually by an independent valuer.

Investment land and buildings have been valued at net realisable value by Registered Valuer, Robert Todd of Telfer Young. This valuation was as at 30 June 2017 and will be carried out on an annual basis. Any adjustment to the values has been accounted for as an increase (decrease) in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

Gains or losses arising from a change in the fair value of investment property are recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

## IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash-generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve.

However, to the extent that an impairment loss for that class of asset was previously recognised in the Statement of Comprehensive Revenue and Expenses, a reversal of the impairment loss is also recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

For assets not carried at a revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

## EMPLOYEE BENEFITS

### *Short-term benefits*

Employee benefits that the Council expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

### *Long-term benefits*

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine

its present value. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses in the period in which they arise.

### *Superannuation schemes*

Defined contribution schemes:

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the Statement of Comprehensive Revenue and Expenses as incurred.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme, the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

## PROVISIONS

The Council recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

## **LANDFILL POST CLOSURE COSTS**

The Council has a legal obligation under the Resource Consent to provide ongoing maintenance and monitoring services at the landfill site after closure. A provision for post closure costs is recognised as a liability when the obligation for post closure arises.

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology. The provision includes all costs associated with landfill post closure. The discount rate applied is 7% which represents the risk free discount rate.

## **EQUITY**

- Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.
- The components of equity are:
- Retained earnings
- Council reserves (includes sinking funds, special reserves and endowment reserves)
- Fair value and hedging reserves
- Asset revaluation reserves

## **GOODS AND SERVICES TAX (GST)**

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

## **BUDGET FIGURES**

The budget figures are those approved by the Council at the beginning of the year in the Long Term Plan or Annual Plan. The budget figures have been prepared in accordance with Tier 1 PBE accounting standards, using accounting policies that are consistent with those adopted by the Council for the preparation of the financial statements.

## **COST ALLOCATION**

The Council has derived the cost of service for each significant activity of the Council using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

## CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements Invercargill City Council has made estimates and assumptions concerning the future.

These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

### ***Classification of non-financial assets as cash-generating assets or non-cash-generating assets***

For the purpose of assessing impairment indicators and impairment testing, the Group classifies nonfinancial assets as either cash-generating or noncash-generating assets. The Group classifies a nonfinancial asset if the primary objective of the asset is to generate a commercial return. All other assets are classified as non-cash-generating assets.

All property, plant and equipment and intangible assets (excluding goodwill) held by Council are classified as non-cash-generating assets, except for rental properties that are earning a market rental. This includes assets that generate fee revenue or other cash flows for Council as these cash flows are generally not sufficient to represent commercial return on the assets.

All property, plant and equipment held by Invercargill City Holdings Limited are classified as cash-generating assets as it is a for-profit entity and the primary objective of its assets is to generate commercial return.

### ***Properties***

Invercargill City Council owns a number of properties, which are maintained primarily to provide housing to pensioners. The receipt of market-based rental from these properties is incidental to holding these properties. These properties are held for service delivery objectives as part of Invercargill City Council's social housing policy. These properties are accounted for as property, plant and equipment.

### ***Landfill Aftercare Provision***

Note 19 presents an analysis of the exposure of Invercargill City Council in relation to the estimates and uncertainties surrounding the landfill aftercare provision.

### ***Infrastructural Assets***

- There are a number of assumptions and estimates used when performing DRC valuations over infrastructural assets. These include:
- The physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- Estimating any obsolescence or surplus capacity of an asset; and

- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then Invercargill City Council could be over or under estimating the annual depreciation charge recognised as an expense in the Statement of Comprehensive Income. To minimise this risk Invercargill City Council's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the Invercargill City Council's asset management planning activities, which gives Invercargill City Council further assurance over its useful life estimates. Experienced independent valuers review the Council's infrastructural asset revaluations.
- As a result of rounding there may be slight discrepancies in subtotals and the financial statement in section 5 and funding impact statements.

## **CHANGES IN ACCOUNTING POLICIES**

There have been no changes in accounting policies during the period. All accounting policies have been consistently applied throughout the period covered by these financial statements.



# Other Information

*Ērā atu pāhono*



This section contains the statement on enhancing Maori Capacity to Contribute to Decision-Making and a statement on Shared Services.

## COUNCIL VISION

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

# Maori Capacity to Contribute to Decision Making

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Invercargill City Council acknowledges the importance of tikanga Māori and values its relationship with both Ngāi Tahu (through the four Southland papatipu runanga) and ngā matawaka (other Māori who are not Ngāi Tahu) living within Murihiku/Southland.

## Charter of Understanding

To help promote and develop its relationship with Māori, Invercargill City Council together with six other local authorities in Southland/Otago, namely Environment Southland, Southland District Council, Gore District Council, Queenstown Lakes District Council, Clutha District Council and Otago Regional Council signed with Te Ao Mārama Inc the Charter of Understanding He Huarahi mā Ngā Uri Whakatapu - A Pathway for the Generations Coming Through.

The Charter was revised in 2015 to incorporate the wider responsibilities under the Local Government Act 2002; and underpins all dealings between the Council and Te Ao Mārama Inc. The revised document was re-signed by all the parties at Hokonui runanga marae on 7 March 2016.

The Charter of Understanding provides:

- the basis for an ongoing relationship between the seven councils and the tangata whenua of Murihiku to assist in developing the capacity of Māori to contribute to decision-making processes;
- a foundation for consultation on a wide range of local government issues;
- for the recognition and willingness of Te Ao Mārama Inc to assist all councils in consultation with all ngā matawaka living in Murihiku. This is important in terms of Māori contribution to decision-making in the Southland region, particularly as the Local Government Act responsibilities of the Council in relation to Māori are with all Māori, not solely the local Iwi.

Te Roopu Taiao is the collaborative structure put in place for the purposes of giving effect to the Charter of Understanding and the obligations of the parties to the charter. Senior Councillors and Council staff involved in resource management regularly attend Te Roopu Taiao meetings.

Consistent with the changes to the Charter referred to above, Te Roopu Taiao includes ngā matawaka (other Māori who are not Ngāi Tahu) representatives; and meetings are usually held quarterly.

## Fostering Maori Capacity

Māori capacity was enhanced by consultation and discussion on the following in 2016/17:

- Regular liaison meetings between Te Ao Mārama Inc managers and Council's Executive Leadership Team.
- 2017/18 Annual Plan.
- Resource Consent Applications.

Council also:

- Maintained existing protocols with Māori in relation to the ways in which Council undertakes its statutory duties.
  - Maintained our commitment to ongoing funding of Te Ao Mārama Inc.
-

# Working Together - Shared Services

The Councils in the Southern area are working together in many ways under the umbrella of a joint committee through a joint committee called Shared Services. This has been formed to achieve better services for all partner Councils. Here are some shared services highlights from the 2016/17 year.

## **BUILDING CONTROL**

The four southern building control authorities continue to work closely on building control matters through sharing information and utilising support from others during busy times. This is comprised of Invercargill City Council, Clutha, Gore and Southland District Councils.

The key milestones achieved are the development of a combined process and quality manual as well as shared regulation forms, which all four councils have now adopted. This has standardised the consent processing methodology and quality assurance processes and has now been the subject of a formal IANZ reaccreditation reviews with the other Councils. IANZ have complimented the shared manual approach and have referred several other building consent authorities to utilise our manual.

The next step will be the consideration of a shared approach to building consent fees which is being considered as part of the Southland Regional Development Strategy.

## **EMERGENCY MANAGEMENT**

Emergency Management Southland (EMS) is a shared service between Southland District Council, Environment Southland, Invercargill City Council and Gore District Council. It focuses on ensuring communities are prepared for emergencies and they are able to respond to and recover from these when they do happen. Specific actions include public education and ensuring a pool of trained personnel.

## **IWI LIAISON**

All four Southland councils have continued to fund and support Te Ao Mārama Inc, the agency approved by Te Runanga o Ngai Tahu to act on iwi liaison matters in Murihiku/Southland under the Resource Management Act 1991 and the Local Government Act 2002. Since its inception, Queenstown Lakes District Council, Otago Regional Council and Clutha District Council have also joined supporting Te Ao Mārama Inc. The papatipu runanga and the participant councils continue to meet quarterly at the Te Roopu Taiao hui, which provides for excellent partnership and exchange of information. The key focus is to give these meetings more of a strategic focus and less focus on day to day operational/retrospective reporting back.

## **LIBRARY CONSORTIUM**

The consortium came together to share a range of services during 2014/2015 and these originally included the Symphony Library Management system which allowed access to the complete catalogues of Dunedin, Invercargill, Queenstown Lakes, Central Otago and Southland District Libraries for all residents.

Differing demands by various councils saw a very amiable split from this some months ago although all members are still using the Symphony platform. Dunedin City, Central Otago and Queenstown Lakes Districts have joined the national consortia - Kotui - which provides enhanced support, searching and ongoing enhancements.

A range of other opportunities are also being explored between the districts and these include integrated holiday and reading programmes, requests and holds able to be placed across boundaries and the possibility of staff exchanges.

There is also a regional consortia for some eBook/ eAudio content and are currently working on upgrading the Internet and Wi-Fi access through a national consortia Aotearoa New Zealand Peoples Network.

Training and professional development is at the forefront of SouthLib activities as this reduces costs, allows access to national and international speakers and offers benchmarking opportunities, which would possibly be outside the scope of a single authority. This also allows for networking and a spirit of collegiality for staff who often work in isolation.

### **VENTURE SOUTHLAND**

Venture Southland is a joint initiative of the Invercargill City, Southland District and Gore District Councils, and is the agency responsible for the regions economic and community development opportunities and add value to the region. More on what Venture Southland has achieved in the last year is provided on page 122 to 127 of this Annual Report.

### **WASTENET**

Council is part of WasteNet, a shared services arrangement between Invercargill City Council, Gore District Council and Southland District Council, which actively promotes and advocates waste minimisation initiatives and provides education programmes

throughout the community and to local schools within the region.

Through WasteNet, Council continues to provide kerbside collection of rubbish and recycling as well as providing waste transfer stations, and greenwaste sites.

### **RURAL FIRE**

The Southern Rural Fire Authority is an amalgamation of all authorities involved in rural fire, Invercargill City Council, Gore and Southland District Councils, the Department of Conservation and forestry companies. It provides a one-stop shop for rural fire readiness, reduction, response and recovery.

### **SALE AND SUPPLY OF ALCOHOL**

Invercargill City Council, Gore and Southland District Councils have produced a joint Local Alcohol Policy on a regional basis to meet the requirements of the Sale and Supply of Alcohol Act 2012. A Joint Committee was established to hear and determine applications made under the Act. This has lead to co-ordinated and consistent decision making throughout Southland.





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