

2020

# Annual Report Summary



# Mayor's Comment



This year has seen significant achievements but also challenges for Invercargill, as well as for Council. The community coped well through Lockdown, and while the announcement on the future of Tiwai is a further blow, Southlanders will pull together as we always do.

Our city is undergoing transformation, with demolition commencing not only for City Block, but also for the new Invercargill Licensing Trust hotel. Breaking ground on the Langlands Hotel is a great way to mark the 75th anniversary of ILT and a huge vote of confidence in the future of the region.

In October we welcomed a new Council – my 9th Council in my time as Mayor. Together we have a vision of a city with heart. We asked the community whether we should invest extra in City Block and heard you clearly. We are investing in the future of our city and welcome the additional support of Central Government for this project.

We have been working together as a team to address the issues caused by aging infrastructure and the need to meet higher Earthquake standards. As we prepare the 2021 – 2031 Long-term plan we are considering a range of projects including the Southland Museum and Art Gallery and Rugby Park. We have made the decision to bring the management of the Museum into Council and we look forward to the opening of He Waka Tuia, the joint venture between the Museum Trust and the Invercargill Public Art Gallery. Toxic mould, as well as structural issues have plagued Rugby Park – the safety of workers working to make the building useable must be protected. Looking after aging infrastructure is never easy and it our responsibility to support the community now and into the future.

We have also kept the Spirit of Southland alive with iconic events such as Kidzone, the Surf to City fun run, and the Burt Munro Challenge. The artwork surrounding the city block is both colourful and inspirational.

We have a responsibility to protect our environment and have worked hard to find a solution to the challenge of continuing recycling – a new contract is now in place with Southland Disability Enterprises. The parks team has also been busy preparing for the future, with planting of a tree for every member of the Southland community well underway.

The new Chinese Garden is a beautiful and restful addition to our award winning Queens Park. I look forward to travel restrictions being lifted, so that we can welcome our friends from our Sister City, Suqian, to an official opening.

**Tim Shadbolt**  
Mayor of Invercargill

A handwritten signature in black ink, appearing to read 'Tim Shadbolt'.

In the opinion of the Council and management of Invercargill City Council, this Summary Annual Report represents fairly and consistently the financial position and operations of Council as detailed in the Annual Report 2019/20. This Summary Annual Report is authorised for release by the undersigned on This Summary Annual Report is authorised for release by the undersigned on 15 December 2020.



**Tim Shadbolt**  
Mayor



**Clare Hadley**  
Chief Executive



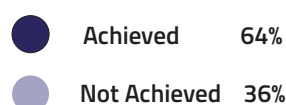
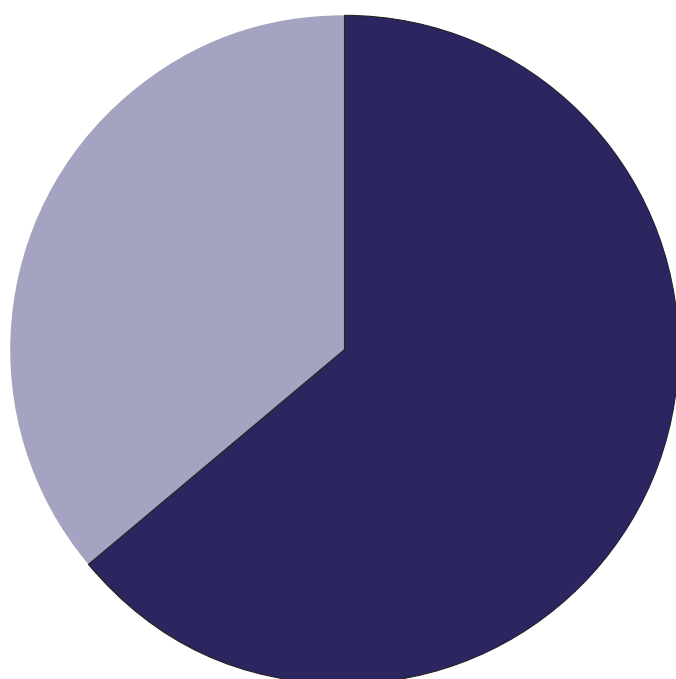
**Dave Foster**  
Interim Group Manager

## Summary of Service

### Summary of Activities and Levels of Performance

The 2018 - 2028 Long-term Plan identified 48 Levels of Service and 69 Measures against which its performance would be measured for its activities. The levels of service were what Council wanted to provide to its community and the measures are performance indicators as to whether the Levels of service have been achieved.

**Council achieved 44 out of 69 measures.**



In the graph above, "Achieved" means that the 2019/2020 performance measure was met or exceeded. "Not Achieved" means the 2019/2020 performance measure was not undertaken or not provided to the target level.

The impact of Covid-19 was greater on some activities than others. Where Covid-19 was a factor in not achieving performance targets is noted in the section on each activity.

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

Community Outcome	Activity and Performance Measure	2019/2020 Target	2019/2020 Actual
Enhance our City	Roading – The percentage of footpaths within the district that fall within the level of service, or service standard for the condition of footpaths as set out in the Activity Management Plan.	<8% in very poor condition.	Achieved - 0.8% in very poor condition (2018/19: Achieved - 1% in very poor condition)
	Stormwater – The total number of complaints received by Council about the performance of its stormwater system expressed per 1,000 connections to Council's stormwater system.	<4 complaints per 1,000 properties per annum.	Achieved - 0.86 (2018/19: Achieved - 0.45)
	Water Supply – Hydrants meet firefighting standards.	At least 97.5% of hydrants tested exceed 12.5 litres per second flow rate.	Achieved - 100% (2018/19: Achieved - 100%)
	Libraries and Archives – Number of visits per year.	520,000	Not achieved - 442,988 (2018/19: Achieved - 524,292)
	Pools – Number of pool visits per head of Invercargill population.	>6.5	Achieved - 6.7 (2018/19 - Achieved 8.3)





Community Outcome	Activity and Performance Measure	2019/2020 Target	2019/2020 Actual
Preserve its Character	Sewerage – Service disruptions for individual properties are less than 12 hours.	100%	Achieved - 100% (2018/19: Achieved 100%)
	Solid Waste Management – Trend in kerbside recycling.	Increasing Trend.	Not achieved - 3,040 tonnes (2018/19: Not achieved - 3,307 tonnes)
	Water Supply – The total number of complaints received by Council per 1,000 connections about continuity of supply.	No more than 0.45 per month.	Achieved - Maximum of 0.14 (2018/19: Achieved - maximum of 0.14)
	Community Development – Number of young people taking part in initiatives.	400	Achieved - 1253 (2018/19: 514)
	Public Toilets – Public toilets are operational 95% of open hours, 24 hours per day.	95%	Not Achieved - 94% (2018/19: Achieved - 98%)

Community Outcome	Activity and Performance Measure	2019/2020 Target	2019/2020 Actual
Embrace Innovation and Change	Democratic Process – Alternative methods of communicating to, and receiving information from, the community are utilised.	Alternative method introduced.	Achieved - Strategy and policy email newsletter established (2018/19: Achieved)
	Roading – 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% of requests are responded to in five or less business days.	Not Achieved - 79% (2018/19: Not Achieved - 75.5%)
	Stormwater – 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.	Response to emergency callouts – 1 hour (90% success).	Achieved - 100% Median response 23 minutes (2018/19: Achieved 93%, Median response 13 minutes)
	Regulatory Services – An increasing percentage of applications are electronically lodged, processed and inspected.	80% of applications are lodged, processed and inspected electronically within five years of the service being offered.	Not achieved - 44% of applications are lodged electronically (62% of LIM applications; 42% of resource consents; 28% of dog registrations (2018/19: - 50% of LIM applications, 21% of resource consents and 12.5% of new dogs, 26% of re-registrations)
	Democratic Process – Percentage of residents who provide a rating of satisfied or greater with the opportunities Council provides for community involvement in decision making.	50%	N/A



# Statement of Service Performance Summary 2019/2020



Council achieved a total of 44 of 69 service measures for 2019/ 2020. These measures helped Enhance our City, Preserve its Character and Embrace Innovation and Change.

Covid-19 had a significant impact on the services provided in 2020/2021. This was particularly the case for non-essential services which were closed to the public over lockdown, including the pools, libraries and the solid waste service, whose performance measures were all effected, although pools still achieved all their targets. Public toilets were also impacted due to maintenance issues which could not be addressed over lockdown for two exoloos and numbers using the buses were also impacted. Most impacted were theatres services, with cancellations of performances leading to effective closure of some facilities continuing for some time after lockdown. In comparison parks were heavily used, as people took advantage of the opportunity to enjoy the parks for exercise. In addition, the Chinese Garden was completed in Queen's Park which retained its accreditation as a garden of national significance.

Some parts of the capital renewal programme were delayed as a result of contractors not being able to work over lockdown. This included delays to reticulation work in the city centre, some parts of the roading programme and pipe renewals, as well as delays to construction of the new hydroslide at Splash Palace. However, significant progress was made in the pavement programme, with contractors able to complete projects on major arterial roads, where other projects were not able to proceed.

In the regulatory area, changes to the way some consents are processed, including implementation of electronic applications, continue to bed in, with increases in electronic applications. The processing

of building consents were negatively impacted by staff availability although this issue has now been addressed and performance has lifted significantly. Only minor delays as a result of lockdown were experienced with no significant impact on the regulatory service.

One measure in the area of democratic process was impacted by the residents survey not proceeding. While in depth customer research into levels of service, including focus groups and over 700 telephone surveys with residents was undertaken this was delayed by Covid-19 and did not include the measure.

Despite the impact of Covid-19 there were a number of services which met or exceeded expectations. Council's sewerage system performed very well, meeting or exceeding all its service measures. Water also performed well, meeting all its measures, with the exception of two. The high performance of these two services are crucial to human health.

Covid-19 was not the only emergency event experienced in Southland in 2020. Solid waste measures of regional discarded materials were up as a result of the impact of the major flooding event in the early part of 2020. This flooding also impacted on one property and one sewer overflow event. These events meant that two of the stormwater measures were not achieved.

Full details for each activity can be found within the 2019/20 Annual Report, from page 29, online at [icc.govt.nz](http://icc.govt.nz)

# Subsidiary Company Statement of Service Performance Summary

For the year ended June 30, 2020

The performance targets established in the 2020 Statement of Corporate Intent for Invercargill City Holdings Limited (ICHL) and the results achieved for the year ended 30 June 2020 follow.

## ICHL Group Financial Performance Targets

	Group 2020 Target \$'000	Group 2020 Actual \$'000	Group 2019 Actual \$'000
Gross Revenue	24,927	44,200	45,655
Expenditure	(14,636)	(30,514)	(47,278)
Net Profit (Loss)	10,291	13,686	(1,623)
Tax	(2,881)	(2,194)	(690)
Group Net Profit/(Loss) after tax	7,410	11,492	-2,313

## Electricity Invercargill Limited

### Network Reliability Performance:

The following results were calculated using information from the Company's non-financial systems, which due to the manual recording processes have inherent limitations relating to the completeness of interruption data and the accuracy of installation control point (ICP) numbers included in the SAIDI and SAIFI.

	2020 Target	2020 Actual	2019 Actual
<i>System Average Interruption Duration Index (SAIDI)</i>			
The average total time in minutes each customer connected to the network is without supply.			
SAIDI	22	49.23	17.98
<i>System Average Interruption Frequency Index (SAIFI)</i>			
The average number of times each customer connected to the network is without supply.			
SAIFI	0.57	0.98	0.31





## Invercargill Airport Limited

### Financial

Financial results were severely impacted by COVID-19 with an after tax profit \$125,000 compared to \$805,000 for the prior year and passenger numbers decreased by 9% from the prior year.

### Operations

- Retain aerodrome certification via assessment from the Civil Aviation Authority Achieved

The Airport successfully completed the Aerodrome Operators Certificate review in July 2019. The certificate is valid until 31 October 2023.

### Infrastructure

- No significant disruption to airport operations due to infrastructure failure Achieved

## Invercargill City Forests Limited

The Company completed the sale of its estate subject to completion of overseas investment office requirements by the successful purchaser.

## ICHL Non-Financial Performance Targets

Half yearly reports are provided to the Shareholder within two months of the end of the period and that the annual statements and report are provided within 3 months of the end of the financial year. Achieved

All statutory requirements for reporting under the Companies Act 1993 and the Local Government Act 2002 are achieved. Achieved

Draft Statement of Intent will be submitted for approval to Invercargill City Council by 1 March each year. Achieved

ICHL will work with all subsidiary and associate companies to develop and implement a strategic plan for the company, in consultation with ICHL, which reflects the policies and objectives of the shareholder for the business.

ICHL will work with its subsidiaries to ensure that they are mindful of the public scrutiny that comes with being a Council Controlled Organisation. Achieved

ICHL will work with its subsidiaries to keep it informed on a "no surprises" basis. ICHL expects Boards to be sensitive to the demand for accountability placed on ICHL and ICC from Invercargill City ratepayers, and that company actions have an impact on the ICHL Group and ICC as a whole. Achieved

# Financial Overview

Financial Performance Summary	2018/19 \$000	2019/20 \$000
Rates Revenue	53,309	55,550
Other Revenue, Other Gains & Losses and Interest Revenue	49,017	43,639
Operating Expenditure including Interest Expenditure	101,148	98,833
Operating Surplus/(Deficit)	1,178	1,012
Working Capital (excluding loan facility)	26,007	23,072
Total Assets	1,022,965	1,062,340
External Debt	90,205	125,514
Fixed Assets (Net Book value)	900,602	888,194

Financial Statistics Summary	2018/19	2019/20
Proportion of rates to Total Operating Revenue	52.10%	56.00%
Average rate revenue per rateable property	\$2,110.50	\$2,192.97
External Term Debt (as a percentage of total assets)	8.82%	11.81%
External Term Debt (per rateable property)	\$3,571.20	\$4,954.96

Ratepayer Data	2018/19	2019/20
Total Rateable Properties*	25,259	25,331



# Financial prudence benchmarks



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

The Council is required to include the Statement in its Annual Report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this Statement.

## KEY



Benchmark Met



Benchmark Not Met



Benchmark

## Rates (income) Affordability Benchmark

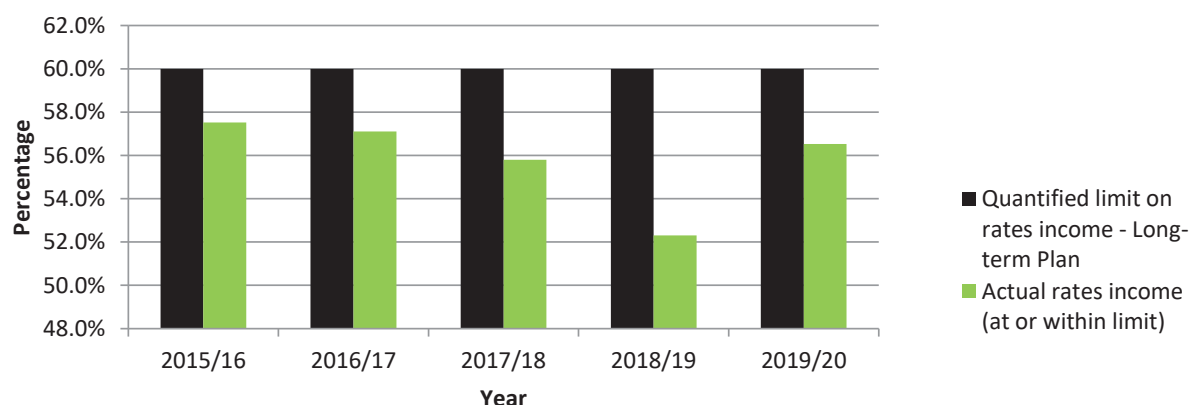
	2015/16	2016/17	2017/18	2018/19	Year of Annual Report 2019/20
	\$'000	\$'000	\$'000	\$'000	\$'000
Total Rates Revenue - Annual Report	47,883	49,003	50,862	53,309	55,550
Other income - Annual Report	35,369	36,854	40,226	48,538	42,729
Total Income - Annual Report	83,252	85,857	91,088	101,847	98,279

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 a quantified limit on rates contained in the financial strategy included in the Council's Long-term Plan. The quantified limit is that "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 five years.

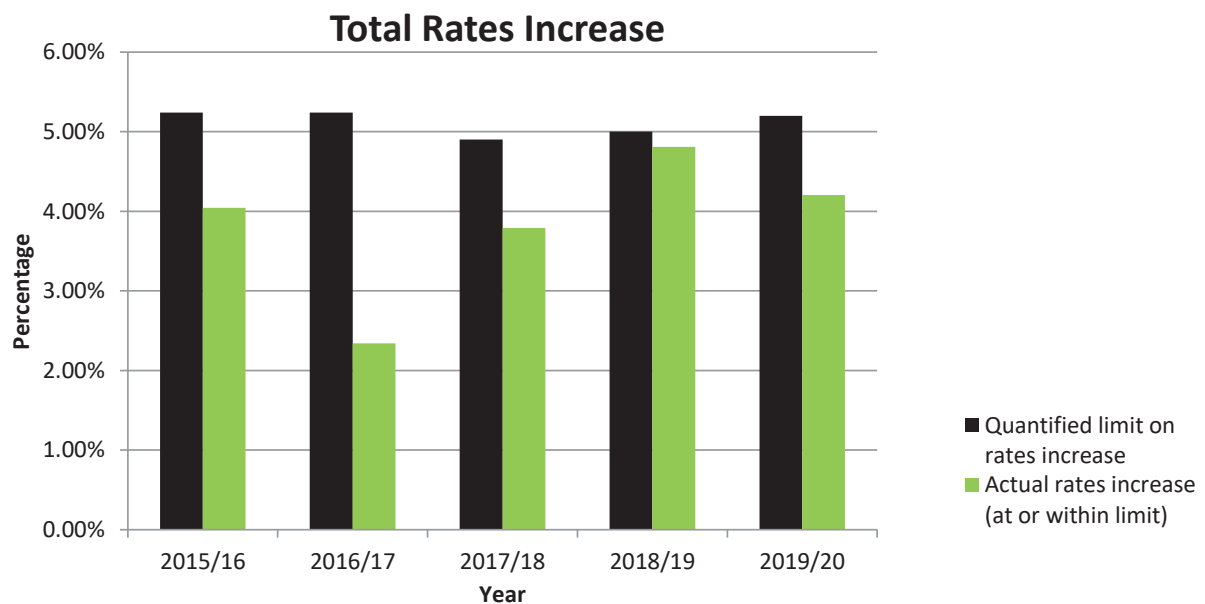
## Total Rates Increase

	2015/16	2016/17	2017/18	2018/19	Year of Annual Report 2019/20
	\$'000	\$'000	\$'000	\$'000	\$'000
Total Rates Revenue - Annual Report	47,883	49,003	50,862	53,309	55,550
LGCI (Local Government Cost Index)	2.24%	2.24%	1.90%	2.00%	2.20%
Additional Limit	3.00%	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 increases with a quantified limit on rates increases included in the financial strategy included in the Council's Long-term Plan. The quantified limit is that "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 five financial years.

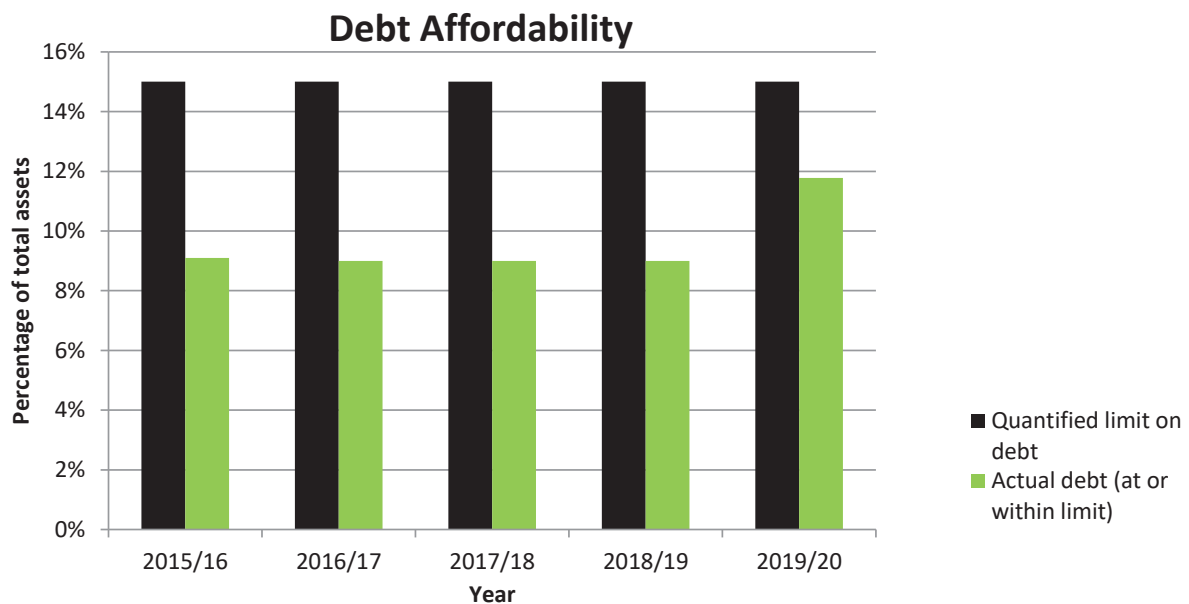


## Debt Affordability Benchmark

	2015/16	2016/17	2017/18	2018/19	Year of Annual Report 2019/20
	\$'000	\$'000	\$'000	\$'000	\$'000
Total Assets - Annual Report	783,386	938,060	930,456	1,022,965	1,062,340
External Borrowing	71,248	85,986	88,136	90,205	125,514

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

The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Council's Long-term Plan. The quantified limit is that "Borrowing of external funds is limited to 15% of total assets".



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.

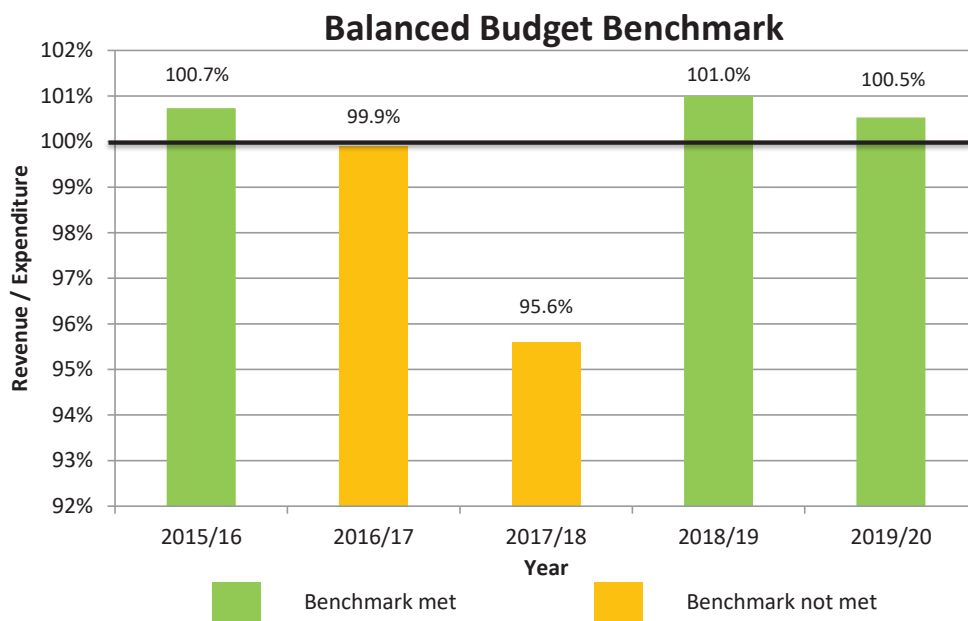


## Balanced Budget Benchmark

	2015/16	2016/17	2017/18	2018/19	Year of Annual Report 2019/20
	\$'000	\$'000	\$'000	\$'000	\$'000
Total Revenue (Excluding *)	84,474	87,495	98,419	102,882	100,213
Total Expenditure (Excluding ^)	83,860	87,602	102,929	101,827	99,684

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. Forestry revaluations and gains/losses on investments are included.

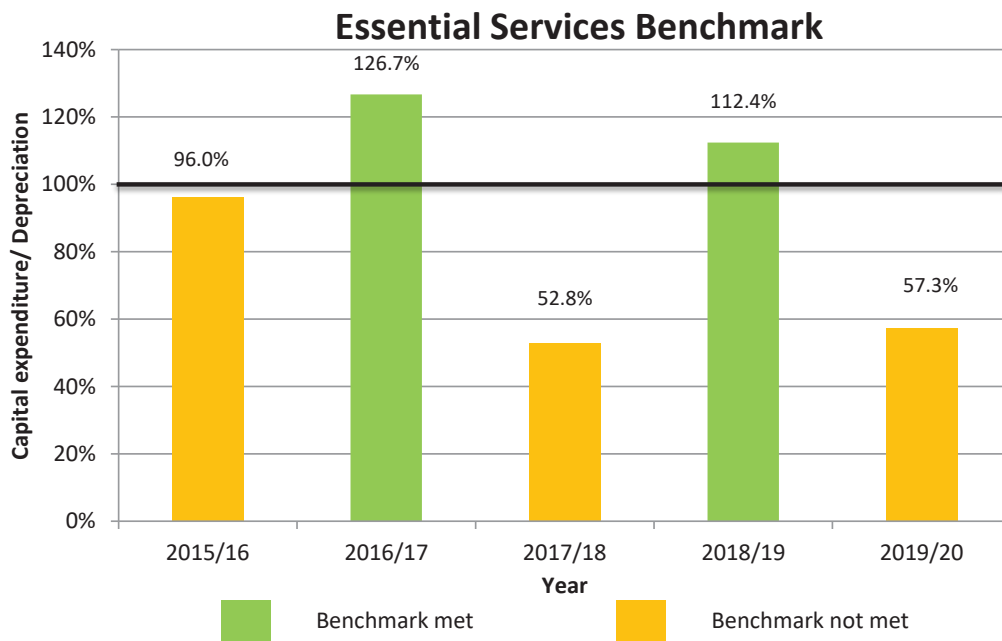
Council is aware of the issue of affordability and financial sustainability. Council revenue has been greater than its operating expenses for two of the past five years. Council continues to investigate efficiencies to reduce expenditure and increase other revenue, and by doing so reduce the revenue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



## Essential Services Benchmark

	2015/16	2016/17	2017/18	2018/19	Year of Annual Report 2019/20
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital Expenditure (Additions) *	16,684	23,977	10,630	23,780	12,360
Depreciation ^	17,373	18,928	20,121	21,162	21,589

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 13: Property, plant and equipment.

^ Depreciation on network assets has been deemed to be depreciation of Infrastructural Assets as per Note 13: Property, plant and equipment.

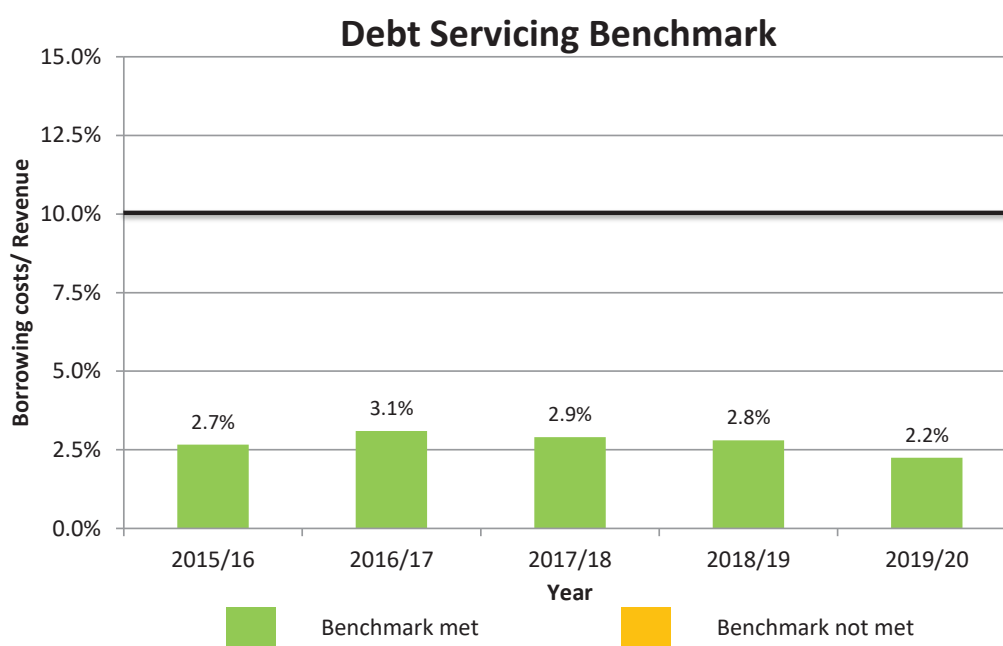
Over time Council's capital expenditure should equal its depreciation, which will mean that Council is replacing its assets as they deteriorate. However, due to some projects being large, it is hard to assess this on a year-by-year basis. During the 2017/18 year Council spent less on capital expenditure than depreciation. This was largely due some capital project scheduled to be completed within the 2017/18 year being started but not completed. During 2019/20 the Covid-19 lockdowns and procedures meant that some capital projects could not be worked on.

## Debt Servicing Benchmark

	2015/16	2016/17	2017/18	2018/19	Year of Annual Report 2019/20
	\$'000	\$'000	\$'000	\$'000	\$'000
Borrowing Costs *	2,253	2,738	2,869	2,845	2,263
Revenue (Balanced Budget)	84,474	87,495	98,419	102,882	100,213

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. Total borrowing have increased over the past two years due to the refinancing of internal debt with external debt and Council incurring more capital expenditure related debt. This has been largely offset by the Council cost of borrowing decreasing over the past two years, as a result of lower market interest rates.

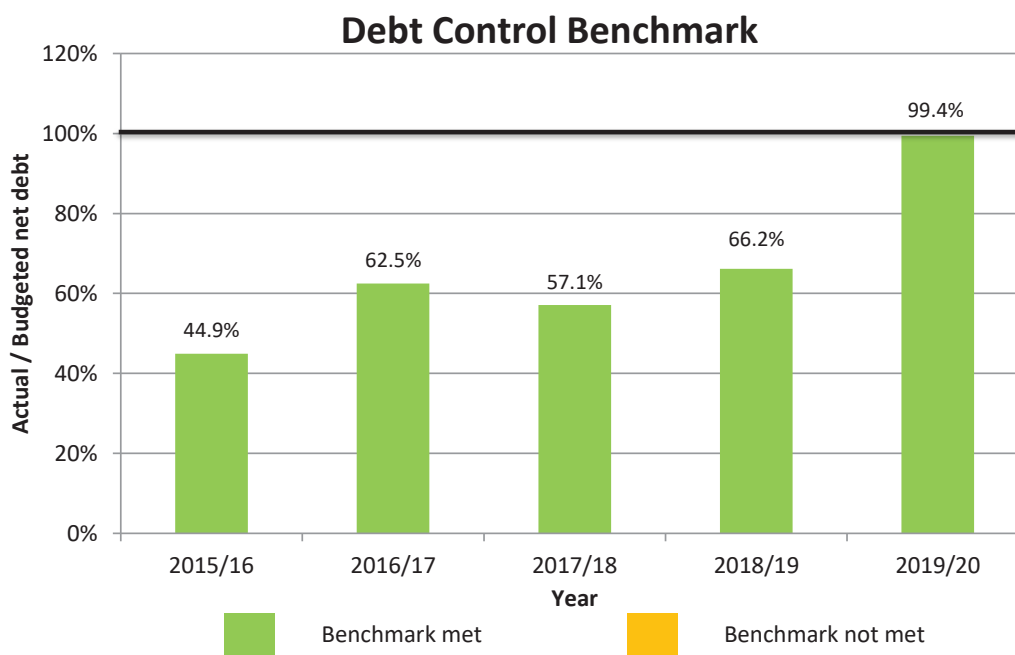


## Debt Control Benchmark

	2015/16	2016/17	2017/18	2018/19	Year of Annual Report 2019/20
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Actuals</b>					
Financial Assets - Annual Report *	59,529	60,704	66,157	73,608	94,920
Financial Liabilities - Annual Report ^	81,978	96,838	100,181	104,621	143,779
Actual Net Debt	22,449	36,134	34,024	31,013	48,859
<b>Budgeted</b>					
Financial Assets *	7,833	55,847	56,914	63,859	53,607
Financial Liabilities ^	57,791	113,616	116,494	110,718	102,745
Budgeted Net Debt	49,958	57,769	59,580	46,859	49,138

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).

The Council meets the debt control benchmark if its actual net debt equals or is less than its planned debt.



\* 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.

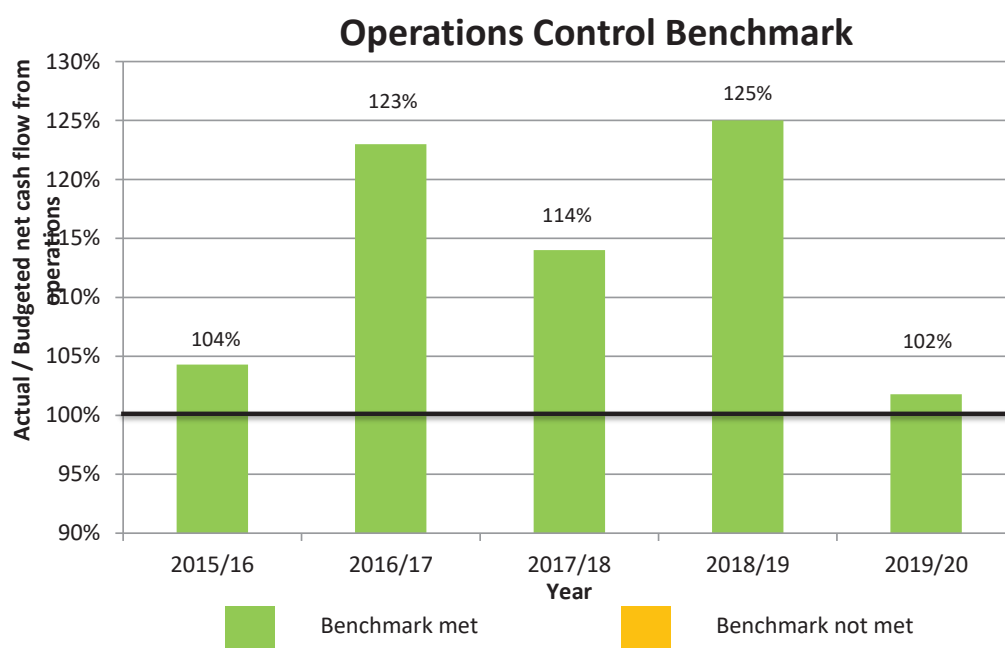
Council's net debt has remained lower than planned net debt due to the deferral of large debt funded capital projects, in particular the capital work planned for the Civic Administration Building, City Centre Revitalisation and other infrastructure projects.

## Operations Control Benchmark

	2015/16	2016/17	2017/18	2018/19	Year of Annual Report 2019/20
	\$'000	\$'000	\$'000	\$'000	\$'000
Actual Net Cash flows from Operations *	20,370	23,094	22,239	29,334	28,316
Budgeted Net Cash flows from Operations ^	19,530	18,769	19,485	23,460	27,823

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 Annual Plan.

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





# Summary Statements

## Summary Statement of Financial Position

As at June 30, 2020

	Council Actual 2020 (\$000)	Council Budget 2020 (\$000)	Council Actual 2019 (\$000)	Group Actual 2020 (\$000)	Group Actual 2019 (\$000)
<b>Equity</b>	<b>914,431</b>	<b>872,283</b>	<b>914,164</b>	<b>1,022,370</b>	<b>1,014,506</b>
<b>Represented by:</b>					
Current assets	90,312	39,932	65,240	125,239	57,834
Non-current assets	972,028	939,574	957,725	1,173,406	1,175,432
<b>Total assets</b>	<b>1,062,340</b>	<b>979,506</b>	<b>1,022,965</b>	<b>1,298,645</b>	<b>1,233,266</b>
Current liabilities	67,240	53,759	39,233	73,490	109,354
Non-current liabilities	80,669	53,464	69,568	202,785	109,406
<b>Total liabilities</b>	<b>147,909</b>	<b>107,223</b>	<b>108,801</b>	<b>276,275</b>	<b>218,760</b>
<b>Net assets</b>	<b>914,431</b>	<b>872,283</b>	<b>914,164</b>	<b>1,022,370</b>	<b>1,014,506</b>

## Summary Statement of Changes in Net Assets

For the year ended June 30, 2020

	Council Actual 2020 (\$000)	Council Budget 2020 (\$000)	Council Actual 2019 (\$000)	Group Actual 2020 (\$000)	Group Actual 2019 (\$000)
<b>Balance at 1 July</b>	914,164	871,529	825,716	1,014,506	932,624
Adjusted balance at 1 July	914,164	871,529	825,716	1,014,506	932,624
Total comprehensive revenue and expense for the year	267	754	88,448	7,864	81,882
<b>Balance at 30 June</b>	<b>914,431</b>	<b>872,283</b>	<b>914,164</b>	<b>1,022,370</b>	<b>1,014,506</b>
<b>Attributable to:</b>					
Invercargill City Council	914,431	872,283	914,164	1,019,519	1,011,655
Minority interest	-	-	-	2,851	2,851
<b>Balance at 30 June</b>	<b>914,431</b>	<b>872,283</b>	<b>914,164</b>	<b>1,022,370</b>	<b>1,014,506</b>
<b>Components of net assets</b>					
Retained earnings	366,796	379,411	375,856	441,978	446,073
Restricted and non-restricted reserves	50,177	35,827	40,105	50,724	40,652
Hedging reserve	(3,493)	(957)	(2,460)	(8,892)	(6,621)
Carbon credit revaluation reserve	815	464	527	2,082	503
Asset revaluation reserve	500,136	457,538	500,136	536,478	533,899
	<b>914,431</b>	<b>872,283</b>	<b>914,164</b>	<b>1,022,370</b>	<b>1,014,506</b>



## Summary Statement of Comprehensive Revenue and Expense

For the year ended June 30, 2020

	Council Actual 2020 (\$000)	Council Budget 2020 (\$000)	Council Actual 2019 (\$000)	Group Actual 2020 (\$000)	Group Actual 2019 (\$000)
Total Revenue	96,716	96,800	99,214	117,081	136,974
Less:					
Operating expenditure on activities	96,570	96,290	98,303	119,751	138,997
Results from operating activities	146	510	911	(2,670)	(2,023)
Less:					
Net finance costs	700	699	212	3,971	3,561
Operating surplus (deficit) before tax	(554)	(189)	699	(6,641)	(5,584)
Plus:					
Other gains/(losses)	910	943	479	8,762	(2,187)
Share of associates' and joint ventures' surplus (deficit)	-	-	-	6,718	2,833
Capital distribution on liquidation of associates and joint ventures	656	-	-	-	-
Surplus (deficit) before tax	1,012	754	1,178	8,839	(4,938)
Less:					
Income tax expense	-	-	-	2,912	607
<b>Surplus (deficit) after tax</b>	<b>1,012</b>	<b>754</b>	<b>1,178</b>	<b>5,927</b>	<b>(5,545)</b>
<b>Attributable to:</b>					
Invercargill City Council	1,012	754	1,178	5,904	(5,568)
Minority interest	-	-	-	23	23
	<b>1,012</b>	<b>754</b>	<b>1,178</b>	<b>5,927</b>	<b>(5,545)</b>
<b>Other comprehensive revenue and expense</b>					
Property, plant and equipment revaluation gains/(losses)	-	-	88,710	2,629	90,741
Carbon credit revaluation gains/(losses)	288	-	63	1,579	39
Cash flow hedges	(1,033)	-	(1,503)	(2,271)	(3,353)
Total other comprehensive revenue and expense	(745)	-	87,270	1,937	87,427
<b>Total comprehensive revenue and expense</b>	<b>267</b>	<b>754</b>	<b>88,448</b>	<b>7,864</b>	<b>81,882</b>
<b>Total comprehensive revenue and expense attributable to:</b>					
Equity holders of the Council	267	754	88,448	7,841	81,859
Minority interest	-	-	-	23	23
	<b>267</b>	<b>754</b>	<b>88,448</b>	<b>7,864</b>	<b>81,882</b>

## Summary Cash Flow Statement

For the year ended June 30, 2020

	Council Actual 2020 (\$000)	Council Budget 2020 (\$000)	Council Actual 2019 (\$000)	Group Actual 2020 (\$000)	Group Restated Actual 2019 (\$000)
Net cash flows from operating activities	28,316	27,823	29,334	27,943	39,196
Net cash flows from investing activities	(64,076)	(27,809)	(5,480)	(72,290)	(11,376)
Net cash flows from financing activities	34,995	-	2,069	42,645	(2,906)
<b>Net increase (decrease) in cash, cash equivalents and bank overdrafts</b>	(765)	14	25,923	(1,702)	24,914
Cash, cash equivalents and bank overdrafts at the beginning of the year	27,270	1,679	1,347	32,091	7,177
<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>	<b>26,505</b>	<b>1,693</b>	<b>27,270</b>	<b>30,389</b>	<b>32,091</b>

# Explanation of Major Variances



For the year ended June 30, 2020

## Actual 2020 against Budget 2020

### Statement of Financial Position

1. Current assets are higher than budget due to cash held at balance date being greater than expected and the increase in short term investments and loans to related parties greater than budget.
2. Non-current assets are higher than budget because of increased investment in Council Controlled Organisations and subsidiaries. Most notable among those investments is a \$15 million bond to Invercargill City Holdings Limited.
3. Current liabilities are greater than budget because of actual loans being reclassified from non-current to current. Total borrowings have increased beyond budget expectations by \$34,814k both current and non-current due to COVID-19 and to ensure sufficient funds held to cover any eventualities.

### Statement of Comprehensive Revenue and Expense

4. Total revenue is comparable to budget, there has been a decrease in finance revenue in the current year due to interest rates being significantly less than budgeted interest rates and a subvention payment was received from a subsidiary which was not envisaged at the time of adopting the budget. Direct charges revenue is less than budget, this is the impact of COVID-19 on core Council activities.
5. Operating expenditure on activities was less than budget. Employee expenses were lower than expected because of changes in staffing levels during the year across the organisation. General expenses are higher than anticipated, the main driver of this is the use of external consultants to bridge staffing shortages in the interim.
6. Net finance costs were lower than budget due to the Council's average rate of borrowing being lower than anticipated during 2019/20. Refer to Note 23 of the Annual Report for details.
7. The distribution of capital on liquidation relates to the Council's share of Venture Southland assets, which was not budgeted for.

## Actual 2020 against Actual 2019

### Statement of Comprehensive Revenue and Expense

1. Total revenue was less than 2019 because of the impact of COVID-19 lockdown on Council's activities. The Council's pools, libraries and museum were closed for lockdown until Level 2.
2. Operating expenditure on activities was less than 2019 because of decreases in operating costs. The decreases in operating costs are attributable to the COVID-19 lockdown on Council activities and the closure of some Council facilities and services.

### Statement of Financial Position

1. Non-current assets are higher than 2019 due to increased investment in Council Controlled Organisations and similar entities.
2. Council's total liabilities are higher than last year due to an increase in external borrowings and a change in the value of Council's derivative financial instruments.



# Notes to the Financial Statements

For the year ended June 30, 2020

The full financial statements are contained in the Annual Report, which can be viewed on the Council website at [www.icc.govt.nz](http://www.icc.govt.nz).

## Basis of preparation

The Council is a public benefit entity for financial reporting purposes. The financial statements have been prepared in accordance with Tier 1 PBE accounting standards and comply with Public Benefit Entity standards and other applicable Financial Reporting Standards, as appropriate for public benefit entities. The Annual Report 2019/20 includes a Statement of Compliance to this effect.

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

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

The disclosures included in the summary financial statements have been extracted from the full financial information in the Annual Report 2019/20 which was adopted by the Council on 15 December, 2020.

The summary financial statements do not include all the disclosures provided in the Annual Report 2019/20 and cannot be expected to provide as complete an understanding as provided by the full financial statements.

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

## Council commitments and contingencies

The Council and Group have financial commitments going forward into future periods. The main areas of commitments are contracts for expenditure for property, plant and equipment, and non-cancellable operating leases as a lessor. The level of commitments are summarised below:

	Council Actual 2020 (\$000)	Council Actual 2019 (\$000)	Group Actual 2020 (\$000)	Group Actual 2019 (\$000)
Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment	2,018	3,982	5,233	5,699
<b>Non-cancellable operating leases as lessor</b>				
Not later than one year	1,403	1,389	1,800	1,795
Later than one year and not later than five years	4,613	4,698	5,451	5,775
Later than five years	15,266	16,865	15,407	17,202
	23,300	26,934	27,891	30,471



### **Council commitments and contingencies (continued)**

The Council and Group have a number of contingent liabilities recorded in the 2019/20 Annual Report relating to the following issues:

- Local Government Funding Agency guarantee liability
- Carter Holt Harvey Limited's High Court proceedings with Ministry of Education
- 20 Spey Street property containment of contamination issue
- Forestry - deforestation liability
- Invercargill Airport Ltd grant has conditions to be met
- Legal costs court case to be determined
- Asbestos has been identified in a number of Council properties to be remedied
- Holidays Act 2003 especially in relation to terminated employees

Council has not recognised a liability in the Statement of Financial Position because either the quantum of the potential liability could not be calculated or there is extremely low probability of a liability being enforced. Further information is provided in Note 28 to the Annual Report 2019/20.

During the year Council enters into transactions with related parties. This can include entities within the Council's Group, the Mayor, Councillors, Chief Executive, Senior Management as well as any businesses or organisations that these individuals may have a share of ownership or some form of control over.

The full list of these individuals and entities are provided in Note 27 of the Annual Report 2019/20 along with the nature and total of their transactions with Council. All related party transactions are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that Council would have adopted in dealing with any other third party at arm's length in the same circumstances.

### **Events after balance date**

In July 2020, the New Zealand Government announced an initial funding package of \$761m to provide a post COVID-19 stimulus to maintain and improve water networks infrastructure, and to support a three year programme of reform of local government water services delivery arrangements.

A Funding agreement was signed by the Acting Chief Executive on 30 September 2020. The agreement will provide \$6.04m of funding for infrastructure and \$10.8m for Stead Street stopbanks. (2019 Nil)

Invercargill City Forests Limited has entered into a contract for the sale of the forestry assets. The sale is subject to approval from the Overseas Investment Office and it is anticipated to occur within the next 12 months. The Company has listed a small parcel of remaining bare land for sale.

The Invercargill City Charitable Trust Board subsequent to year end adopted a recommendation which was put forward to the Invercargill City Council's Infrastructural Services Committee at a meeting on the 25th August 2020 that the asset, Rugby Park Stadium, currently owned by Invercargill City Charitable Trust Board be sold to Invercargill City Council.

Invercargill City Council has had an independent market valuation of Rugby Park Stadium completed by Telfer Young Property Valuers & Advisors. As per the market valuation report dated 7 August 2020, the property has been valued on a Market Value - Vacant Possession basis. The property has been valued using best alternative use of residential/suburban commercial development site due to the limited to non-existent market for stadium/sporting ground infrastructure on the open market. A Comparable Transactions Method of a \$/m<sup>2</sup> basis has been calculated based on recent sales of vacant land taking into

**Events after balance date (continued)**

consideration zoning and location. The current market valuation (taking into consideration demolition costs) is \$1,000,000. A resolution was passed that the report be accepted by the Infrastructure Committee and a report and draft terms of sale be drawn up and presented to Council. As per the report, ICCTB has the responsibility to remedy the toxic mould issue prior to sale of the Stadium to ICC. The toxic mould has subsequently been remedied, therefore ICCTB has fulfilled all its measures for sale of the property.

There have been no other significant events between the year end and the signing date of the financial statements.

**Covid disclosure**

On 31 December 2019 China alerted the World Health Organisation to the outbreak of a virus, now commonly referred to as COVID-19, with the outbreak declared a pandemic on 11 March 2020. The New Zealand Government declared a State of National Emergency on 25 March 2020. The next day the country was put into Alert level 4 and effectively lockdown. On 28 April 2020, the Alert Level was reduced to Level 3, and then further reduced to Level 2 on 14 May 2020. The country moved to Level 1 on 9 June 2020.

The lockdown and potential future impacts of COVID-19 may negatively impact residents' ability to pay rates. This could lead to a short term cashflow impact and increased rates arrears. Rates arrears could increase further. Council has adopted an additional policy for postponement of rates.

There has been an impact on the Council's achievement of its performance targets during the year. The impact on the performance targets are explained in the relevant activity sections of the annual report.

An assessment of COVID-19 on construction costs has been undertaken and COVID-19 has not materially impacted pricing at the current time. This could change in the future depending on global and domestic events. An impairment assessment has been completed for tangible and intangible assets. The result of this assessment was that there has been no material movement in asset values resulting from COVID-19.

The Council also has an investment property portfolio that was revalued as at 30 June 2020 the valuation highlighted that there were market uncertainties that effected the valuation refer to note 16 of the financial statements for further information. Staff and Council worked to identify savings for the 2020/21 Annual Plan. Due to the COVID-19 pandemic Council revised the Annual Plan 2020/21 to keep rates increases as low as possible - from a proposed 3.5% down to 2%. This was achieved by examining the inflation expectations for the year. While little firm information was available market commentary suggested that inflation would be close to zero. Information from BERL has supported the view that inflation close to zero is a fair assumption.

**Invercargill Airport Limited**

Due to the impact of COVID-19, and its impact on the economy and air travel, an impairment assessment was carried out by Peter Seed of Airbiz, an independent expert effective 30 June 2020.

The assessment indicated that the value of the property, plant and equipment was not impaired.

Further details are at page 204 of the Annual Report.

# Audit Opinion



**AUDIT NEW ZEALAND**  
Mana Arotake Aotearoa

## **Independent Auditor's Report**

### **To the readers of Invercargill City Council and group's summary of the annual report for the year ended 30 June 2020**

The summary of the annual report was derived from the annual report of the Invercargill City Council and group (the City Council and group) for the year ended 30 June 2020.

The summary of the annual report comprises the following summary statements:

- the summary statement of financial position as at 30 June 2020;
- the summaries of the statement of comprehensive revenue and expenses, statement of changes in net assets and statement of cash flows for the year ended 30 June 2020;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary of service.

## **Opinion**

In our opinion:

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

## **Summary of the annual report**

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

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

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

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2020 in our auditor's report dated 15 December 2020.

That report also includes an emphasis of matter paragraph drawing attention to the disclosures about the impact of Covid-19 on the City Council and group as set out in full Annual Report in note 37

to the financial statements and on page 31 of the statement of service performance. We draw specific attention to the following matter due to the significant level of uncertainty caused by Covid-19:

- ***Investment property***

Note 16 on page 128 of the full annual report describes the significant uncertainties highlighted by the valuer, related to estimating the fair value of the City Council's investment property.

- ***Sensitivity of the valuation model used in the impairment assessment***

Page 204 of the full annual report describes the sensitivity of the Group's impairment model for airport related property, plant and equipment to changes in major inputs and assumptions. The group's estimates of passengers, recovery, and growth rates remain uncertain due to Covid-19.

An extract of this information is included in the summary of the annual report on page 26.

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

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

### **Auditor's responsibility**

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

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

In addition to our audit of the summary, we have performed an attest audit over the annual report and limited assurance engagement related to the City Council's Debenture Trust Deed. Other than in our capacity as auditor, we have no relationship with, or interests in the City Council and group.



Andy Burns  
Audit New Zealand  
On behalf of the Auditor-General  
Dunedin, New Zealand  
18 December 2020







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