

2021  
ANNUAL

INVERCARGILL



# Annual Report





# INVERCARGILL





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# Invercargill introduced

Statistics New Zealand estimated the population of Invercargill in 2018 at 54,204.

As population growth is around 1% the expected population for 2031 is estimated to be around 62,810.

All figures are GST exclusive unless otherwise stated.



# Invercargill introduced

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 (Motopuhue) 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.

# Mayor's Comment



Our city is evolving at pace. Just a glance back over my diaries shows the enormous change, challenges and celebrations that we've been a part of in what seems like a short amount of time.

Looking out over town one cannot help but be thrilled by the sight of the towering cranes working busily among the quickly climbing buildings in the city centre. There is much anticipation around the City Streets Rejuvenation project and seeing this heavy machinery working away in town is a marvellous everyday reminder that things are on the move.

Coming back to earth, however, there is still plenty going on at ground level. Our temporary museum, He Waka Tuia, opened in September 2020 and has gone from strength to strength, with many exhibitions celebrating taonga, art and our community already shown in little over a year.

In February, we had a grand ceremony for the re-opening of the refurbished Feldwick Gates area at Queens Park. A new space where our community can gather and be together while highlighting the beautiful gates has been created and it looks absolutely wonderful.

Splash Palace had its fair share of things to celebrate with the much-anticipated opening of our new hydrosides in April – I was one of the first to try out these attractions and was proud to prove that these new aquatic playthings aren't just for children.

The biggest residential development in decades has been given the green light with 600 homes set to be built on the Te Puawai development in east Invercargill, with hopes that it will ease the pressure on housing in the city.

And finally, we are working closely with mana whenua in a groundbreaking new partnership as Council and Te Tapu o Tāne, a collective of the four Rūnanga in Southland, develop a native plant nursery and propagation venture at our nursery and on nearby land at Donovan Park. This is an exciting step for Council as we get to be part of this exciting venture that will help create jobs and training for our rangatahi as well as looking after papatuānuku.

These exciting times are tempered, of course, with uncertainty as the world around us continues to change, yet Council and our community continue to steam ahead, look forward and look after each other, which is a perfect example of what our city can do, come what may.

A handwritten signature in blue ink, appearing to read 'Tim Shadbolt'. The signature is written in a cursive, flowing style.

Sir Tim Shadbolt  
Mayor of Invercargill

# Chief Executive's Comment



Much has happened in Invercargill since our last Annual Plan was delivered, and while COVID-19 still makes its presence felt strongly throughout New Zealand and the world, we know Council is finding strength in working together and being flexible so it can withstand whatever challenges it faces.

Council has put in a lot of hard work over the past 12 months. A new Executive Leadership Team was introduced last year and in a very short time has made a robust, positive impact. Their contribution can be seen in the clear and consistent messaging throughout our latest Long-Term Plan.

Council also welcomed Marcus Lush to the table, after a by-election was held on 17 February this year.

A lot of time and effort has been put in by many over this period to improve on the issues raised by the Department of Internal Affairs (DIA). It is particularly pleasing to have the Department's endorsement that good progress has been made, and they are satisfied with the work done to date.

We live in uncertain times. Invercargill and Southland is facing uncertainty with changes to the vocational education system affecting Southern Institute of Technology; the Tiwai closure announced for end 2024, and a new way of living in the post-lock down era.

We know we have a lot to think about as Council. Changes to Three Waters and both RMA and Local Government reforms sit in the future. I know our team has the mettle to work with Council, and help them to make the best decisions for our city and our future.

A handwritten signature in blue ink, which appears to read 'Clare Hadley'. The signature is fluid and cursive, written on a light-colored background.

Clare Hadley  
Chief Executive - Invercargill City Council

# 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 2019; the next will be in 2022.



**Nobby Clark**  
Deputy Mayor  
027 859 9313  
*Appointed October 2020*

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 2020/2021 year were:**



**Lindsay Abbott**  
027 290 1142



**Rebecca Amundsen**  
027 225 2664



**Allan Arnold**  
027 433 6408



**Toni Biddle**  
027 869 2065  
*Resigned October 2020*



**Alex Crackett**  
021 535 953



**Peter Kett**  
027 437 7420



**Graham Lewis**  
021 676 647



**Darren Ludlow**  
021 217 2848



**Marcus Lush**  
021 377 793  
*Elected February 2021*



**Ian Pottinger**  
027 432 3597



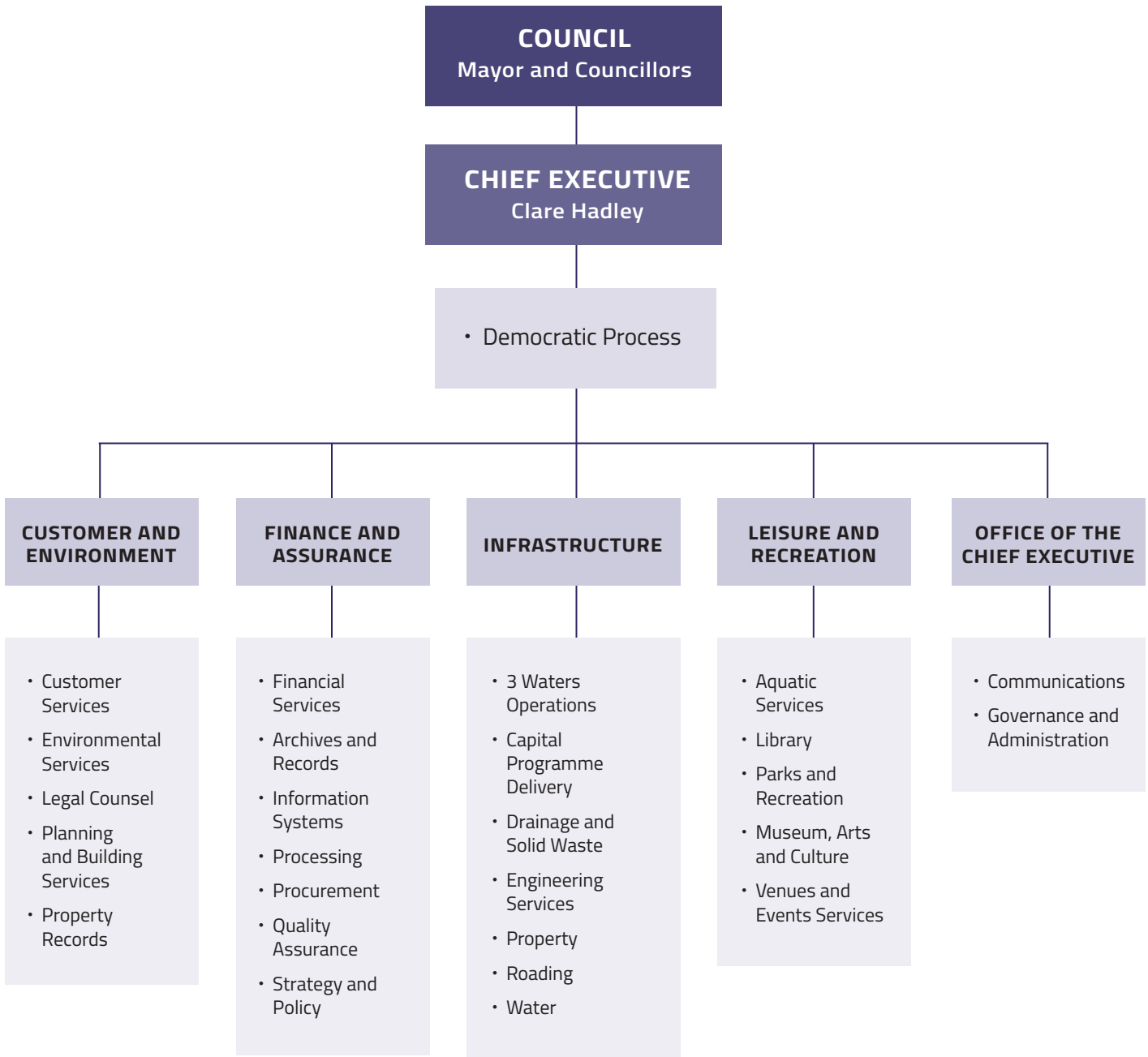
**Nigel Skelt**  
027 226 4621



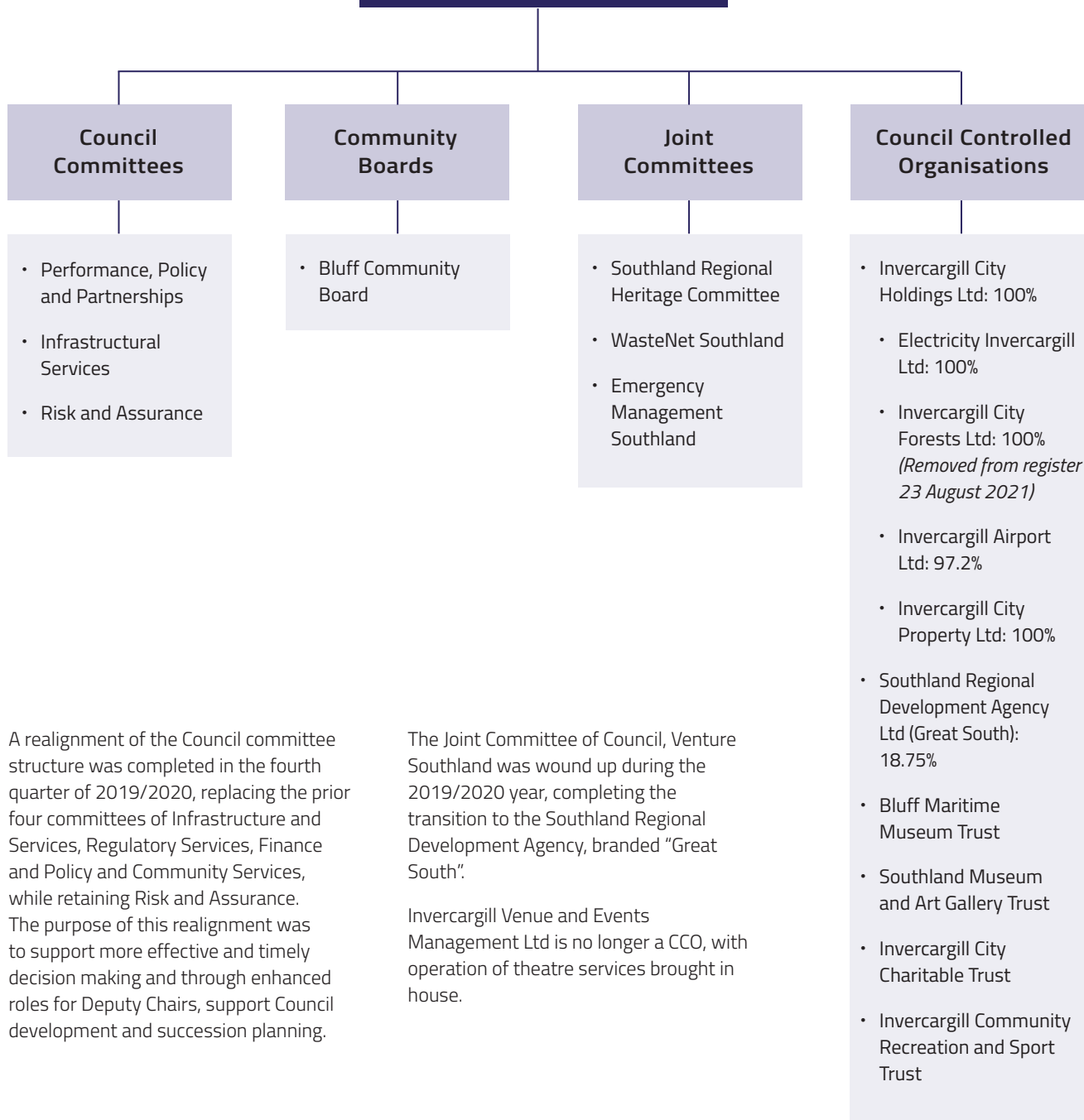
**Lesley Soper**  
027 603 8037



# Management Structure



# Council Structure



A realignment of the Council committee structure was completed in the fourth quarter of 2019/2020, replacing the prior four committees of Infrastructure and Services, Regulatory Services, Finance and Policy and Community Services, while retaining Risk and Assurance. The purpose of this realignment was to support more effective and timely decision making and through enhanced roles for Deputy Chairs, support Council development and succession planning.

The Joint Committee of Council, Venture Southland was wound up during the 2019/2020 year, completing the transition to the Southland Regional Development Agency, branded "Great South".

Invercargill Venue and Events Management Ltd is no longer a CCO, with operation of theatre services brought in house.

# Financial Overview



| Financial Performance Summary                            | 2019/20<br>\$'000 | 2020/21<br>\$'000 |
|--|-------------------|-------------------|
| Rates Revenue  | 55,550            | 57,573            |
| Other Revenue, Other Gains & Losses and Interest Revenue | 43,639            | 55,945            |
| Operating Expenditure including Interest Expenditure     | 98,833            | 109,129           |
| Operating Surplus/(Deficit)                              | 1,012             | 4,389             |
| Working Capital (excluding loan facility)                | 23,072            | 42,098            |
| Total Assets   | 1,062,340         | 1,036,308         |
| External Debt  | 125,514           | 89,222            |
| Fixed Assets (Net Book value)                            | 888,194           | 873,477           |

| Financial Statistics Summary                         | 2019/20    | 2020/21    |
|--|------------|------------|
| Proportion of rates to Total Operating Revenue       | 56.00%     | 50.72%     |
| Average rate revenue per rateable property           | \$2,192.97 | \$2,265.76 |
| External Term Debt (as a percentage of total assets) | 11.81%     | 8.61%      |
| External Term Debt (per rateable property)           | \$4,954.96 | \$3,511.29 |

| Ratepayer Data             | 2019/20 | 2020/21 |
|----------------------------|---------|---------|
| Total Rateable Properties* | 25,331  | 25,410  |

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

# Invercargill City Council: Funding Impact Statement For 30 June, 2021

## Whole Of Council

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

|   | Council           |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | Long-term Plan    | Actual            | Annual Plan       | Actual            |
|   | 2019/20<br>\$'000 | 2019/20<br>\$'000 | 2020/21<br>\$'000 | 2020/21<br>\$'000 |
| <b>SOURCES OF OPERATIONAL FUNDING</b>                                     |                   |                   |                   |                   |
| General rates, uniform annual general charges, rates penalties            | 5,492             | 6,227             | 5,640             | 6,588             |
| Targeted rates  | 49,325            | 49,323            | 51,127            | 50,985            |
| Subsidies and grants for operating purposes                               | 3,738             | 5,242             | 4,711             | 7,404             |
| Fees and charges  | 15,955            | 18,579            | 17,782            | 19,856            |
| Interest and dividends from investments                                   | 8,343             | 8,958             | 7,202             | 7,889             |
| Local authorities fuel tax, fines, infringements, fees and other receipts | 9,442             | 7,793             | 7,467             | 11,559            |
| <b>Total operating funding (A)</b>  | <b>92,295</b>     | <b>96,122</b>     | <b>93,929</b>     | <b>104,281</b>    |
| <b>APPLICATIONS OF OPERATIONAL FUNDING</b>                                |                   |                   |                   |                   |
| Payments to staff and suppliers   | 66,490            | 69,036            | 68,881            | 78,662            |
| Finance costs   | 4,764             | 2,251             | 3,140             | 2,767             |
| Other operating funding applications                                      | -                 | -                 | -                 | -                 |
| <b>Total applications of operational funding (B)</b>                      | <b>71,254</b>     | <b>71,287</b>     | <b>72,021</b>     | <b>81,429</b>     |
| <b>Surplus (deficit) of operational funding (A-B)</b>                     | <b>21,041</b>     | <b>24,835</b>     | <b>21,908</b>     | <b>22,853</b>     |
| <b>SOURCES OF CAPITAL FUNDING</b>   |                   |                   |                   |                   |
| Subsidies and grants for capital expenditure                              | 6,131             | 3,312             | 4,506             | 4,988             |
| Development and financial contributions                                   | -                 | -                 | -                 | -                 |
| Increase (decrease) in debt   | 5,319             | 34,995            | -                 | (36,293)          |
| Gross proceeds from sale of assets  | 193               | 1,289             | 194               | 3,509             |
| Lump sum contributions  | -                 | -                 | -                 | -                 |
| Other dedicated capital funding   | -                 | -                 | -                 | -                 |
| <b>Total sources of capital funding (C)</b>                               | <b>11,643</b>     | <b>39,596</b>     | <b>4,700</b>      | <b>(27,796)</b>   |
| <b>APPLICATION OF CAPITAL FUNDING</b>                                     |                   |                   |                   |                   |
| Capital expenditure   |                   |                   |                   |                   |
| - to meet additional demand   | 6,545             | 1,896             | 1,737             | -                 |
| - to improve the level of service   | 1,194             | 1,430             | 867               | 147               |
| - to replace existing assets  | 25,461            | 15,345            | 36,326            | 25,777            |
| Increase (decrease) in reserves   | (516)             | 5,921             | -                 | (19,625)          |
| Increase (decrease) in investments  | -                 | 39,839            | (12,322)          | (11,242)          |
| <b>Total application of capital funding (D)</b>                           | <b>32,684</b>     | <b>64,431</b>     | <b>26,608</b>     | <b>(4,943)</b>    |
| <b>Surplus (deficit) of capital funding (C-D)</b>                         | <b>(21,041)</b>   | <b>(24,835)</b>   | <b>(21,908)</b>   | <b>(22,853)</b>   |
| <b>FUNDING BALANCE ( (A-B) + (C-D) )</b>                                  | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>          |

The above figures include the Invercargill City Council share of Wastenet, Southland Regional Heritage Committee and Emergency Management Southland.

### FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2020/21 budgets prepared as part of the 2018 - 2028 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 2020/21 Annual Plan.



# Financial prudence benchmarks

The purpose of this section 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 |
|--|---------------|--|-------------------|--|-----------|

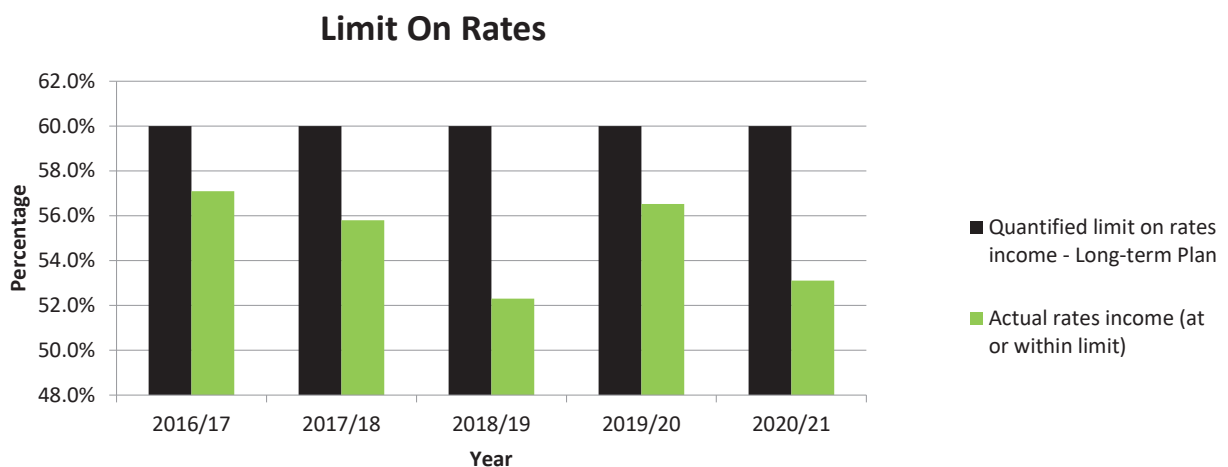
## Rates (Income) Affordability Benchmark

|                                     | 2016/17 | 2017/18 | 2018/19 | 2019/20 | Year of Annual Report<br>2020/21 |
|-------------------------------------|---------|---------|---------|---------|----------------------------------|
|                                     | \$'000  | \$'000  | \$'000  | \$'000  | \$'000                           |
| Total Rates Revenue - Annual Report | 49,003  | 50,862  | 53,309  | 55,550  | 57,573                           |
| Other income - Annual Report        | 36,854  | 40,226  | 48,538  | 42,729  | 50,835                           |
| Total Income - Annual Report        | 85,857  | 91,088  | 101,847 | 98,279  | 108,408                          |

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".



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.



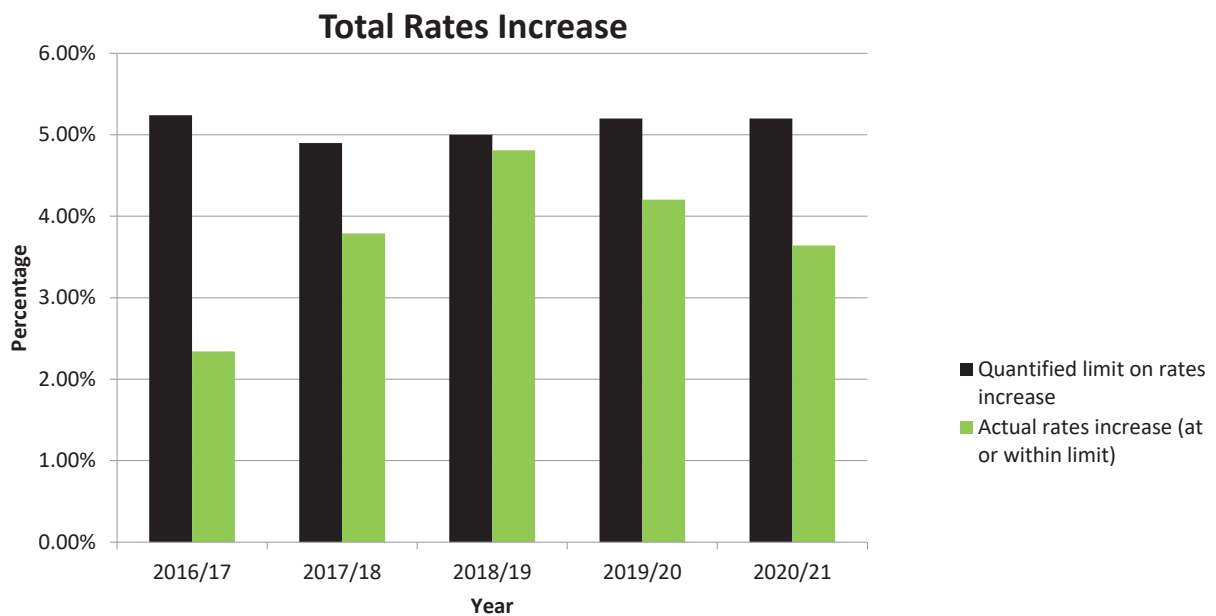
## Total Rates Increase

|                                     | 2016/17 | 2017/18 | 2018/19 | 2019/20 | Year of Annual Report<br>2020/21 |
|-------------------------------------|---------|---------|---------|---------|----------------------------------|
|                                     | \$'000  | \$'000  | \$'000  | \$'000  | \$'000                           |
| Total Rates Revenue - Annual Report | 49,003  | 50,862  | 53,309  | 55,550  | 57,573                           |
| LGCI (Local Government Cost Index)  | 2.24%   | 1.90%   | 2.00%   | 2.20%   | 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%".



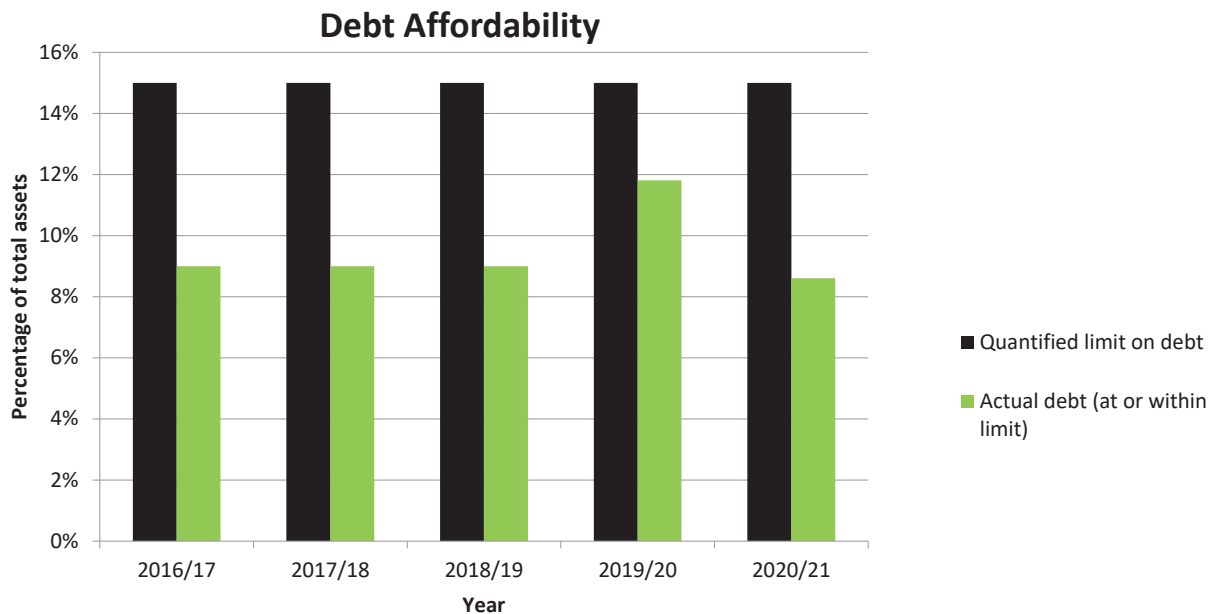
Council's financial strategy aims to limit rates increase to forecast LGCI + 3.0%. As shown above Council has achieved this goal for the last five financial years.

## Debt Affordability Benchmark

|                              | 2016/17 | 2017/18 | 2018/19   | 2019/20   | Year of Annual Report<br>2020/21 |
|------------------------------|---------|---------|-----------|-----------|----------------------------------|
|                              | \$'000  | \$'000  | \$'000    | \$'000    | \$'000                           |
| Total Assets - Annual Report | 938,060 | 930,456 | 1,022,965 | 1,062,340 | 1,036,308                        |
| External Borrowing           | 85,986  | 88,136  | 90,205    | 125,514   | 89,222                           |

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.

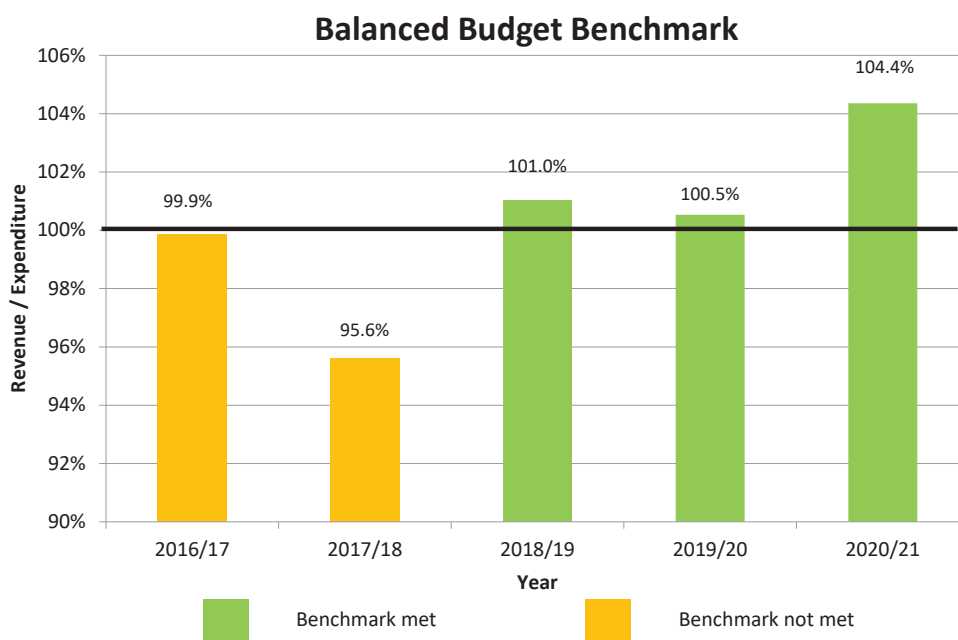


## Balanced Budget Benchmark

|                                 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | Year of Annual Report<br>2020/21 |
|---------------------------------|---------|---------|---------|---------|----------------------------------|
|                                 | \$'000  | \$'000  | \$'000  | \$'000  | \$'000                           |
| Total Revenue (Excluding *)     | 87,495  | 98,419  | 102,882 | 100,213 | 113,896                          |
| Total Expenditure (Excluding ^) | 87,602  | 102,929 | 101,827 | 99,684  | 109,140                          |

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.

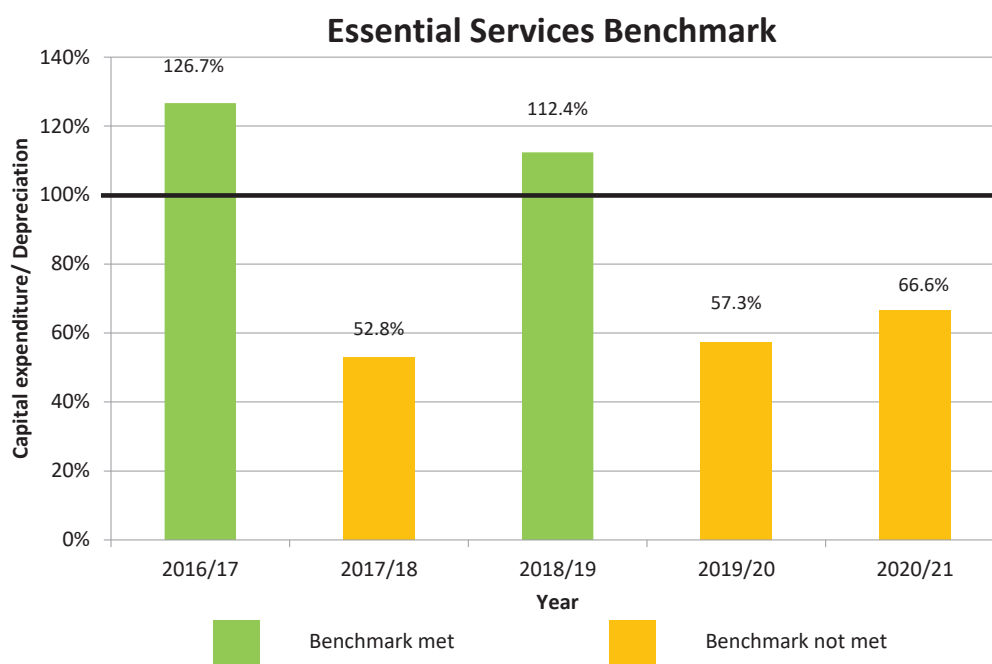
Council is aware of the issue of affordability and financial sustainability. Council revenue has been greater than its operating expenses for three of the past five years. Council continues to investigate efficiencies to reduce expenditure and increase other revenue, and by doing so reduce the revenue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



## Essential Services Benchmark

|                                   | 2016/17 | 2017/18 | 2018/19 | 2019/20 | Year of Annual Report<br>2020/21 |
|-----------------------------------|---------|---------|---------|---------|----------------------------------|
|                                   | \$'000  | \$'000  | \$'000  | \$'000  | \$'000                           |
| Capital Expenditure (Additions) * | 23,977  | 10,630  | 23,780  | 12,360  | 14,547                           |
| Depreciation ^                    | 18,928  | 20,121  | 21,162  | 21,589  | 21,851                           |

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. During the 2020/21 year Council spent less on capital expenditure than depreciation. This was largely due to some capital projects scheduled to be completed within 2020/21 year being started but not completed.

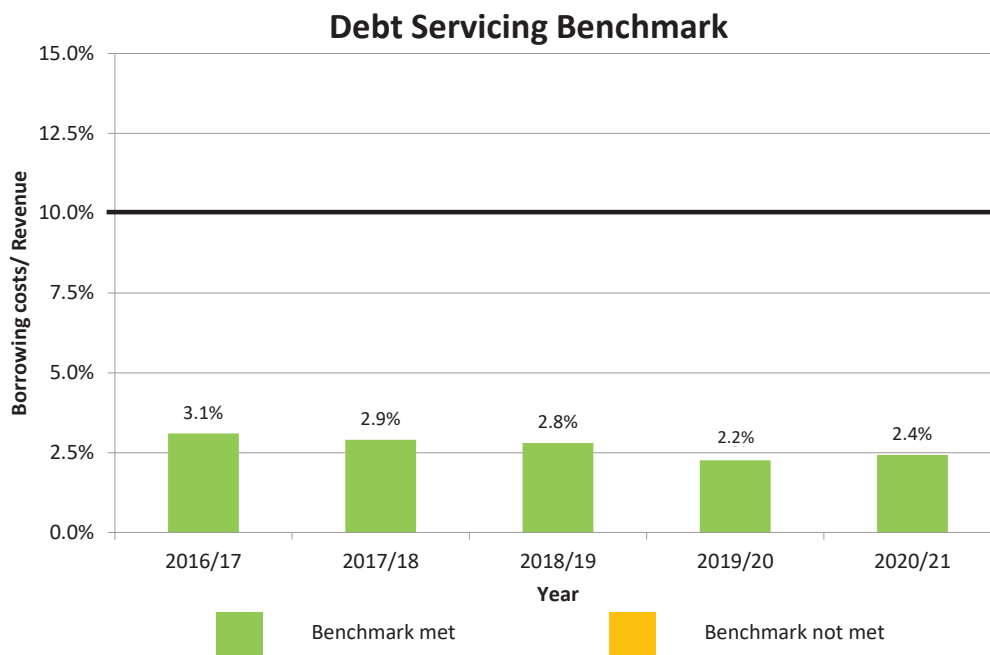


## Debt Servicing Benchmark

|                           | 2016/17 | 2017/18 | 2018/19 | 2019/20 | Year of Annual Report<br>2020/21 |
|---------------------------|---------|---------|---------|---------|----------------------------------|
|                           | \$'000  | \$'000  | \$'000  | \$'000  | \$'000                           |
| Borrowing Costs *         | 2,738   | 2,869   | 2,845   | 2,263   | 2,767                            |
| Revenue (Balanced Budget) | 87,495  | 98,419  | 102,882 | 100,213 | 113,896                          |

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.

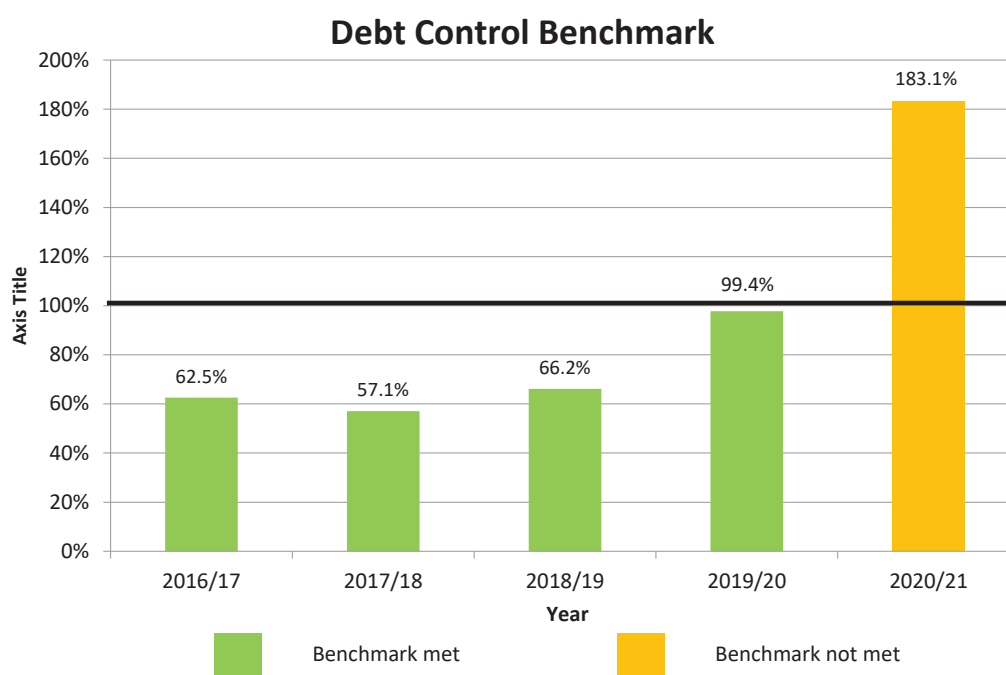
Council's cost of debt is well under the legislative threshold of 10% of revenue. Total borrowing have increased over the past two years due to the refinancing of internal debt with external debt and Council incurring more capital expenditure related debt. This has been largely offset by the Council cost of borrowing decreasing over the past two years, as a result of lower market interest rates.

## Debt Control Benchmark

|   | 2016/17 | 2017/18 | 2018/19 | 2019/20 | Year of Annual Report<br>2020/21 |
|---|---------|---------|---------|---------|----------------------------------|
|   | \$'000  | \$'000  | \$'000  | \$'000  | \$'000                           |
| <b>Actuals</b>                          |         |         |         |         |                                  |
| Financial Assets - Annual Report *      | 60,704  | 66,157  | 73,608  | 94,920  | 54,418                           |
| Financial Liabilities - Annual Report ^ | 96,838  | 100,181 | 104,621 | 143,779 | 111,151                          |
| Actual Net Debt                         | 36,134  | 34,024  | 31,013  | 48,859  | 56,733                           |
| <b>Budgeted</b>                         |         |         |         |         |                                  |
| Financial Assets *                      | 55,847  | 56,914  | 63,859  | 53,607  | 98,629                           |
| Financial Liabilities ^                 | 113,616 | 116,494 | 110,718 | 102,745 | 129,621                          |
| Budgeted Net Debt                       | 57,769  | 59,580  | 46,859  | 49,138  | 30,992                           |

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 due to the deferral of large debt funded capital projects, in particular the capital work planned for the City Centre Revitalisation and other infrastructure projects. 2020/21 does not meet the benchmark target due to a **a)** higher than planned trade and other payables balance which includes subsidy funding revenue received in advance but not spent for shovel ready and 3 Waters stimulus projects; **b)** purchase of shares within Invercargill City Holdings Limited to fund the City Centre investment.

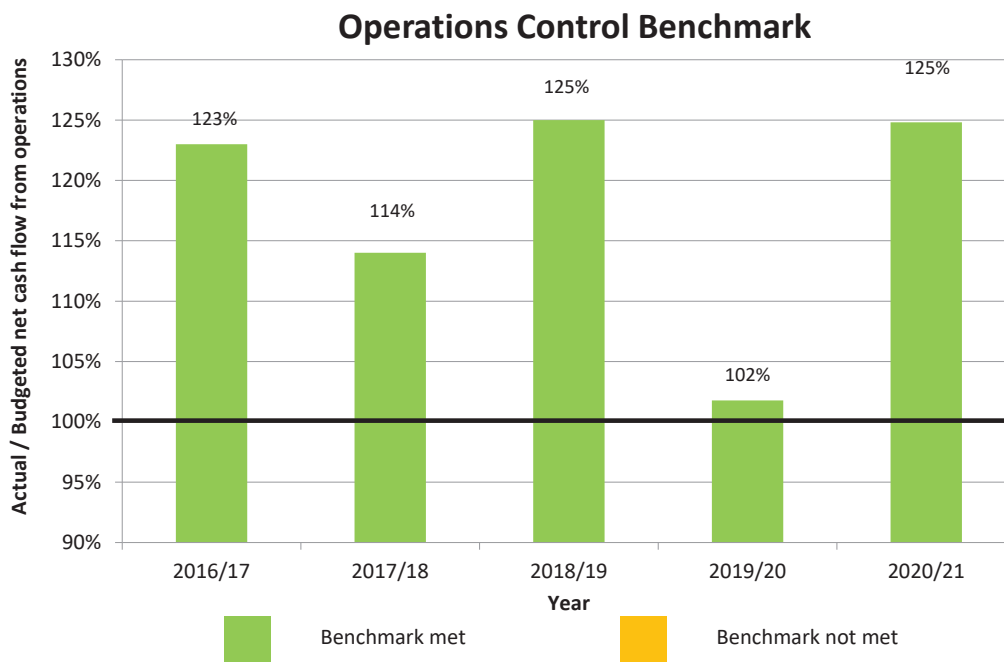


## Operations Control Benchmark

|   | 2016/17 | 2017/18 | 2018/19 | 2019/20 | Year of Annual Report<br>2020/21 |
|---|---------|---------|---------|---------|----------------------------------|
|   | \$'000  | \$'000  | \$'000  | \$'000  | \$'000                           |
| Actual Net Cash flows from Operations *   | 23,094  | 22,239  | 29,334  | 28,316  | 32,971                           |
| Budgeted Net Cash flows from Operations ^ | 18,769  | 19,485  | 23,460  | 27,823  | 26,414                           |

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.

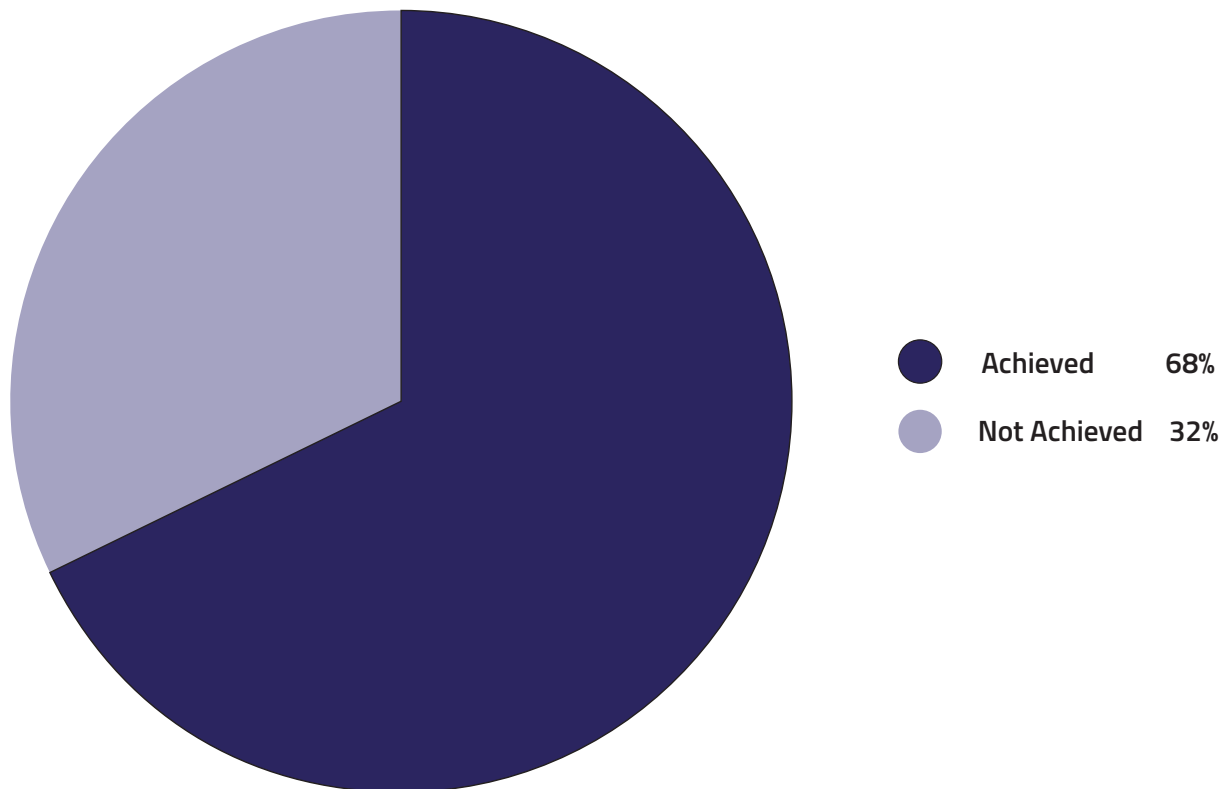


# Summary of Service

## Summary of Activities and Levels of Performance

The 2018 - 2028 Long-term Plan identified 47 Levels of Service and 77 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 53 out of 77 measures.



In the graph above, 'Achieved' means that the 2020/2021 performance measure was met or exceeded. 'Not achieved' means that the 2020/2021 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 three Community Outcomes are detailed below.



| Community Outcome | Activity and Performance Measure  | 2020/2021 Target   | 2020/2021 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 - 0.7% in a very poor condition<br>(2019/20: Achieved - 0.8% 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 - 2.47<br>(2019/20: Achieved - 0.86)   |
|                   | Water Supply – Hydrants meet firefighting standards.  | At least 97.5% of hydrants tested exceed 12.5 litres per second flow rate. | Achieved - 100%<br>(2019/20: Achieved - 100%)   |
|                   | Libraries and Archives – Number of visits per year.   | 520,000  | Not achieved - 459,429<br>(2019/20: Not achieved - 442,988)                                   |
|                   | Pools – Number of pool visits per head of Invercargill population.  | >6.5   | Achieved - 6.7<br>(2019/20: Achieved - 6.7)   |

| Community Outcome      | Activity and Performance Measure  | 2020/2021 Target             | 2020/2021 Actual   |
|------------------------|---|------------------------------|--|
| Preserve its Character | Sewerage – Service disruptions for individual properties are less than 12 hours.                                    | 100%                         | Not Achieved - 99% (2019/20: Achieved - 100%)                    |
|                        | Solid Waste Management – Trend in kerbside recycling.   | Increasing Trend.            | Achieved - 3,300 tonnes (2019/20: Not achieved - 3,040 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 0.24 (2019/20: Achieved - Maximum of 0.10) |
|                        | Community Development – Number of young people taking part in initiatives.  | 400                          | Not Achieved - 233 (2019/20: Achieved 1,253)                     |
|                        | Public Toilets – Public toilets are operational 95% of open hours, 24 hours per day.                                | 95%                          | Achieved - 95% (2019/20 - Not Achieved - 94%)                    |



| Community Outcome             | Activity and Performance Measure  | 2020/2021 Target   | 2020/2021 Actual  |
|-------------------------------|---|--|---|
| Embrace Innovation and Change | Democratic Process – Alternative methods of communicating to, and receiving information from, the community are utilised.   | Alternative method introduced.   | Achieved - A new interactive website was utilized over the Long-term Plan preengagement period (2019/20: Achieved - Strategy and Policy email newsletter established)   |
|                               | 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.  | Achieved - 81% (2019/20: Not Achieved - 79% )   |
|                               | 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 - 96% Median response time 27 Minutes (2019/20: Achieved - 100% Median response 23 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 - 61% of LIM applications 30% of resource consent applications; 31% of dog registrations are lodged electronically (2019/20: Not achieved - 44% of applications are lodged electronically - 62% of LIM applications; 42% of resource consents; 28% of dog 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%  | Achieved - 52% (2019/20: N/A - Survey was not undertaken)   |

# Audit Opinion

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

## Independent Auditor's Report

### To the readers of Invercargill City Council and Group's annual report for the year ended 30 June 2021

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, Dereck Ollsson, using the staff and resources of Audit New Zealand, to report on the information in the City Council and Group'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 21 December 2021. This is the date on which we give our report.

### Opinion on the audited information

#### **Qualified opinion on the financial statements**

In our opinion, except for the possible effects of the matter described in the *Basis for our opinion* section of our report, the financial statements on pages 104 to 215:

- present fairly, in all material respects:
  - the City Council and Group's financial position as at 30 June 2021; and
  - the results of its operations and cash flows for the year ended on that date.
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.



### ***Unmodified opinion on the audited information, excluding the financial statements***

In our opinion:

- the statement of service performance section on pages 31 to 91:
  - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2021, including:
    - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved; and
    - the reasons for any significant variation between the levels of service achieved and the intended levels of service.
  - complies with generally accepted accounting practice in New Zealand.
- the funding impact statement on page 9, 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 about capital expenditure for each group of activities on pages 35 to 91, 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 36 to 91, 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 performance against benchmarks as required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 10 to 17, which represent a complete list of required disclosures and accurately reflects the information drawn from the City Council and Group's audited information and, where applicable, the City Council's long-term plan and annual plans.

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

### ***Our work was limited over the carrying value of the City Council and the Group's revalued property plant and equipment***

As stated in the statement of accounting policies on page 207 to the financial statements, the City Council and the Group measure certain classes of its property, plant and equipment assets at fair value. PBE IPSAS 17 *Property, Plant and Equipment* requires entities that measure asset classes at fair value to carry out revaluations with sufficient regularity to ensure that the revalued asset classes are not included in the financial statements at a value that is materially different to fair value.

Note 13 on page 127 of the financial statements provides information on how the City Council assessed the fair value of property, plant and equipment asset classes not revalued during the 30 June 2021 year and the City Council's view that the carrying amount of the asset classes is reflective of their fair value.

We consider that, based on:

- relevant cost indices and recent construction contract rates for infrastructure assets; and
- indicative market movements from the Council's independent valuer for operational land and buildings:
  - there are reliable indicators that there could be a material increase in the fair value of the asset classes not revalued during the 30 June 2021 financial year. However, the City Council and the Group have not carried out revaluations and it is impracticable for us to determine the amount of the adjustment required.

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.

### **Emphasis of matter – The Government's three waters reform programme announcement**

Without modifying our opinion, we draw attention to note 31 on page 173, which outlines that subsequent to year-end, the Government announced it will introduce legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities from 1 July 2024. The impact of these reforms, once legislated, will mean that the City Council will no longer deliver three waters services.



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

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

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

The 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 Council is responsible for assessing its ability to continue as a going concern. The 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 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 Council.
- We determine the appropriateness of the reported intended levels of service in the statement of service performance, as a reasonable basis for assessing the levels of service achieved and reported by the City Council and the Group.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the 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 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 Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 1 to 8, 18 to 21, 28 to 30, 93 to 101 and 218 to 221, 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: International 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 audited the City Council's 2021-2031 long-term plan and consultation document and performed a limited assurance engagement related to the City Council's Debenture Trust Deed. These engagements are compatible with those independence requirements.

Other than in our capacity as auditor, we have no relationship with, or interests, in City Council or any of its subsidiaries and controlled entities.

Handwritten signature of Dereck Ollsson.

Dereck Ollsson  
Audit New Zealand  
On behalf of the Auditor-General  
Christchurch, New Zealand

# Statement Of Compliance



The Council and its officers are responsible for the preparation of this Annual Report for 2020/21.

This report has been prepared in accordance with the provisions of the Local Government Act 2002, and the Reporting Standards of the External Reporting Board (XRB).

This report was approved and adopted by a meeting of the Invercargill City Council on 21 December 2021.

It correctly reflects the Council's financial position and operating results for the year ended 30 June 2021.

Council adopted this Annual Report on 21 December 2021 and complies with all statutory requirements in relation to the Annual Report.

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

**Sir T R Shadbolt**  
MAYOR

A handwritten signature in blue ink, appearing to read "C Hadley".

**C Hadley**  
CHIEF EXECUTIVE

# Council Activities

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.

This section is divided into eight "groups of activities":

- Roading
- Sewerage
- Solid Waste Management
- Stormwater
- Water Supply
- Regulatory Services
- Community Services
- Corporate Services

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 charge.

The Regulatory Services Activity includes those Council areas which enable people to live closely together by establishing with the Community minimum standards for development and behaviour. The departments within this activity are:

- Animal Services
- Building Services
- Compliance
- Environmental Health
- Resource Management.

# Council Activities

The Community Services Group includes 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
- Public Transport
- Pools
- Public Toilets
- Theatre Services
- Specialised Community Services

The Corporate Services Group includes activities which provide democratic processes and provide or promote business-to-business relationships.

The activities within this group are:

- Democratic Process
- Investment Property.

# Statement of Service Performance 2020/2021



Council achieved 26 out of 48 level of service (53 out of 77 measures) in comparison to 25 out of 48 levels of service in 2019/2020. These levels of service helped enhance our city, preserve its character and embrace innovation and change.

While the impact of Covid-19 continued to be seen, many services recovered well. Other services such as theatres and pools were impacted for longer. Libraries saw its use of collections nearly return to pre-Covid levels, although building disruption in the city centre and increasing online access has reduced visitor numbers. Parks continue to see good use by the public. Parks have changed the way they manage requests for service in the last year which has improved their data and will enable them to better respond to safety and maintenance issues in the future. Pools saw a decline in one of its measures as a result of the survey being completed differently. While this impacted on the result of the measure it has given them useful information for future planning. Public toilets were back open 95% of the time after a decline in service in 2019/20 as a result of Covid. The trend in kerbside refuse collection has returned to declining after the increase in 2019/2020 related to Covid-19, although it still remains higher than in 2018/19.

Performance in core water, stormwater and sewerage services remained strong. One water performance measure level declined due to one occasion where the process for logging information resulted in a break of service duration of longer than eight hours. The process for logging information is being reviewed.

Sewerage has changed some of its approach to maintenance, which has resulted in an increase in permanent repairs which has negatively impacted on the performance measure related to timeliness of temporary repairs. Southland experienced some serious flooding events within the last year which resulted in two flooding events in Otatara. The rest of the stormwater system has performed well over the period.

Contractor delays affected the road resealing programme but the network of compliant lighting has increased over the last year. Roading customer response times and response to vandalized signs improved and are now both only 1% away from target.

Performance in the regulatory area improved, with significant improvements in the building consents team and increasing numbers of resource consents issued. All consents and food applications and alcohol licenses were issued within the 20 working day period. The number of electronic applications has increased significantly for resource consents and remained steady for other areas. While plans and bylaws were not updated in schedule with the activity plan, this is now out of date and they were all completed within the mandatory legislative period.

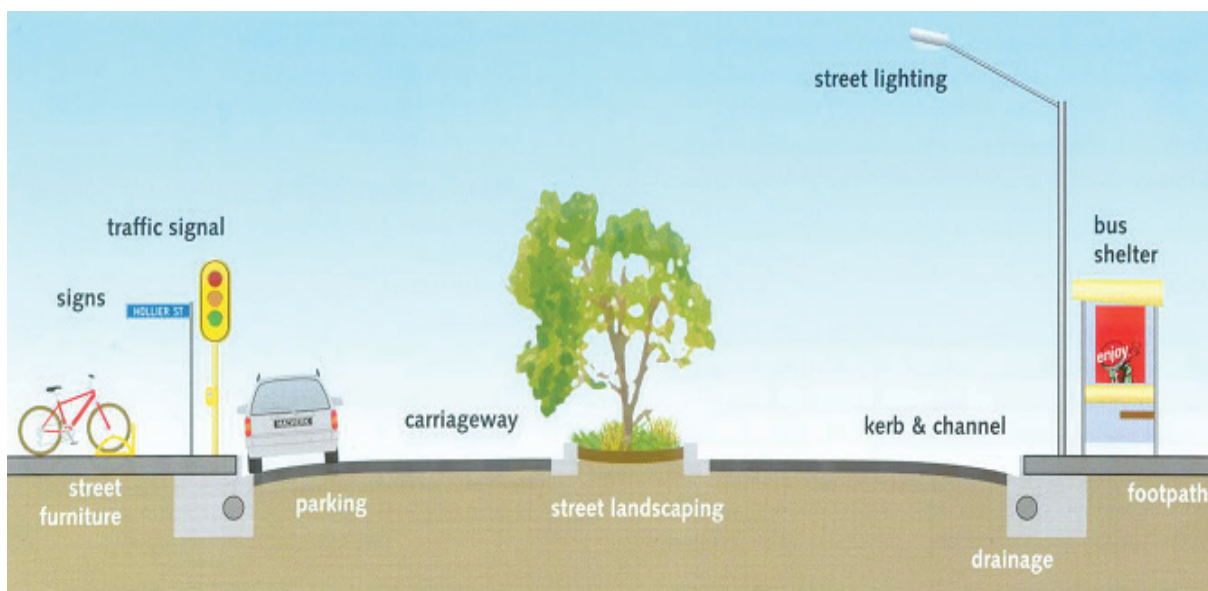
# Roading



## What we have done

The Roading Section of the Council provided a safe, effective and efficient transport system and contributed to the social and economic wellbeing of the Invercargill District. This was achieved by providing a road network that enables safe travel within and through the district including the provision of cycleways and footpaths.

The following diagram illustrates the assets that are managed by the Roading Section:



## What we agreed with the Community

| Community Outcome             | Council's Role  | How the Activity Contributes  | Customer Level of Service   |
|-------------------------------|---|---|---|
| Enhance our City              | Healthy and active residents utilise space, including green space, throughout the City.   | Roading (pavements) contributes to accessibility, via integrated networks of connected roads and footpaths. Safe roads allow freedom of movement for residents including appropriate lighting.  | The total number of fatal and serious injuries each year on the network.<br>Footpaths.<br>Streetlighting.   |
|                               | Invercargill's business areas are bustling with people, activities and culture.   | Roading provides the vital connections with state highways for the freight task distributing the goods needed for a city and throughout the city.   | Respond to vandalised signs.<br>Traffic signals response.   |
|                               |   | Roading provides roads to connect people, signs to direct, footpaths for pedestrians, street furniture for streetscape usage.<br><br>CBD areas have high amenity.   | Unplanned road closures.<br><br>Street lighting.<br>Respond to vandalised signs.<br>Traffic signals response.   |
| Preserve its Character        | The building blocks, including water, sanitation and roading, for a safe, friendly city are provided for all members of the community.  | Safe roads allow residents to select a mode of transport they wish to use with confidence.<br><br>Street lighting allows residents to feel safe at nights.<br><br>Wide streets and low traffic allows ease of movement, together with networks resilient and reliable for events. | The total number of fatal and serious injuries each year on the network.<br>Street lighting.<br>Respond to vandalised signs.<br>Traffic signals response. |
|                               | Strong, collaborative leadership of the City is demonstrated.   | Good roading management delivers a core infrastructure in leading the City.   | The overall cost per km and vkt of routine maintenance activities, and cost by work category on each road network for the financial year.                 |
| Embrace Innovation and Change | The development of future industry is encouraged.   | Street facilities such as visitor signs, streetscape, seating, and car charging offer high value people space and have flexibility to quickly adapt.  | Footpaths.  |
|                               | Technology is used in both existing and new City services.  |   |   |
|                               | Residents of, as well as visitors to, Invercargill give positive feedback and have great experiences.<br><br>Invercargill has the 'wow factor' with the right facilities and events to enjoy. | Roading corridor management contributes to make events have safe road and pedestrian access to use.   | Requests responded to in five or less business days.  |



## How did we measure up

| Measure   | Target 2020/2021  | Result 2020/2021  |
|---|---|---|
| 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.                                  | Decreasing annually.  | Achieved - 4 less than previous year<br>(2019/20: Achieved - 2 less than in previous year)              |
| The average quality of ride, on a sealed local road network, measured by smooth travel exposure.  | Higher than the national average.<br>Urban – 84.5%<br>Rural – 94.4%                 | Achieved - urban 90%; rural 98%<br>(2019/20: Achieved - urban 89%; rural 98%)                           |
| The percentage of the sealed local road network that is resurfaced.   | >6.25%  | Not Achieved - 5.3%<br>(2019/20: Not Achieved - 6.10%)  |
| 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 - 0.7% in a very poor condition<br>(2019/20: Achieved - 0.8% in very poor condition)           |
| 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.                     | Achieved - 81%<br>(2019/20: Not Achieved - 79%)   |
| Street lighting is compliant with AS/ NZS 1158 to agreed levels within urban areas, adjusted for constraining factors.  | Increasing percentage.  | Not Achieved - 78%<br>(2019/20: Achieved - 78%)   |
| Vandalised signs are promptly responded to and corrective actions commenced.  | > 85% of requests within 2 business days.   | Not Achieved - 84%<br>(2019/20: Not Achieved - 71%)   |
| Damaged traffic signals are attended to promptly.   | > 85% of emergency requests are responded to by attending the site within one hour. | Achieved - 100%<br>(2019/20: Achieved - 100%)   |
| The number of unplanned road closures and the number of vehicles affected by closures annually.   | < 8   | Not Achieved - this measure was not recorded<br>(2019/20: Not Achieved - this measure was not recorded) |
| The overall cost per km and vkt of routine maintenance activities, and cost by work category on each road network for the financial year.   | < Peer Group Average. (66%)<br>See the details section on next page.                | Achieved - 66%<br>(2019/20: Not Achieved - 67%)   |



## The details

Parts of the road resealing programme were not delivered on schedule by the contractor.

The majority of footpaths within the district are of a good quality - very few fall within the very poor range.

There was an improvement in response times to customer service requests from 2019/20 resulting in a response time only 1% off target.

The network of compliant lighting has increased slightly over the last year from 78%.

Council's costs on maintenance for roads per km and vkt are 66% of the average national costs. (\$0.78 compared to \$1.18 average)

Response times to vandalised signs have increased significantly over the last two quarters, resulting in a response time only 1% off target. The focus is now on maintaining this response time into 2021/2022.

In assessing the overall cost per km and vkt of routine maintenance we have utilised the primary collector cost per lane Km and compared to other networks. It is important to note that the data however is not that reliable and the measure has high degrees of variance.

## Capital Works Projects

| Project  | 2020/2021<br>Proposed (Long-term Plan)<br>\$000 | 2020/2021<br>Actual \$000 |
|--|---|---------------------------|
| Sealed road resurfacing                        | 2,193   | 2,202                     |
| Sealed road pavement rehabilitation            | 1,357   | 2,398                     |
| Drainage renewals (Kerb and Channel, Culverts) | 1,320   | 992                       |
| Footpaths                                      | 1,347   | 1,422                     |
| Traffic Services renewals                      | 396   | 333                       |
| Street lighting renewal and 11 year upgrade    | 183   | 990                       |

A full resurfacing of sealed roads has been completed which included pavement rehabilitations which had been previously deferred but still had NZTA funding available. The mix of works undertaken has changed from that proposed with less drainage renewals but more sealed pavement rehabilitations. Work on footpaths continued

to be delivered as resources were available with NZTA funding being available over the three year NLTP programme. The streetlighting renewal and upgrade programme caught up on previous delayed work within the spending available from NZTA.

# Invercargill City Council Funding Impact Statement For 30 June, 2021 for Roading



|   | Long-Term Plan<br>2018 - 2028<br>2019/20<br>\$'000 | Long-Term Plan<br>2018 - 2028<br>2020/21<br>\$'000 | Actual<br>2020/21<br>\$'000 |
|---|--|--|-----------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                       |  |  |                             |
| General rates, uniform annual general charges, rates penalties            | 347  | 330  | 160                         |
| Targeted rates  | 7,923  | 7,737  | 7,592                       |
| Subsidies and grants for operating purposes                               | 2,146  | 2,144  | 4,935                       |
| Fees and charges  | 390  | 399  | 994                         |
| Internal charges and overheads recovered                                  | 284  | 292  | -                           |
| Interest and dividends from investments                                   | -  | -  | 112                         |
| Local authorities fuel tax, fines, infringements, fees and other receipts | 1,130  | 1,158  | 661                         |
| <b>Total operating funding (A)</b>  | <b>12,220</b>                                      | <b>12,060</b>                                      | <b>14,455</b>               |
| <b>APPLICATIONS OF OPERATIONAL FUNDING</b>                                |  |  |                             |
| Payment to staff and suppliers  | 6,574  | 6,711  | 7,009                       |
| Finance costs   | 130  | 117  | -                           |
| Internal charges and overheads applied                                    | 284  | 292  | 918                         |
| Other operating funding applications                                      | -  | -  | -                           |
| <b>Total applications of operating funding (B)</b>                        | <b>6,988</b>                                       | <b>7,120</b>                                       | <b>7,928</b>                |
| <b>Surplus (deficit) of operating funding (A - B)</b>                     | <b>5,232</b>                                       | <b>4,940</b>                                       | <b>6,527</b>                |
| <b>SOURCES OF CAPITAL FUNDING</b>   |  |  |                             |
| Subsidies and grants for capital expenditure                              | 3,594  | 3,455  | 4,168                       |
| Development and financial contributions                                   | -  | -  | -                           |
| Increase (decrease) in debt   | (587)  | (321)  | -                           |
| Gross proceeds from sale of assets  | -  | -  | -                           |
| Lump sum contributions  | -  | -  | -                           |
| Other dedicated capital funding   | -  | -  | -                           |
| <b>Total sources of capital funding (C)</b>                               | <b>3,007</b>                                       | <b>3,134</b>                                       | <b>4,168</b>                |
| <b>APPLICATIONS OF CAPITAL FUNDING</b>                                    |  |  |                             |
| Capital expenditure   |  |  |                             |
| - to meet additional demand   | -  | -  | -                           |
| - to improve the level of service   | 989  | 627  | -                           |
| - to replace existing assets  | 7,019  | 7,216  | 9,592                       |
| Increase (decrease) in reserves   | 231  | 231  | 1,103                       |
| Increase (decrease) in investments  | -  | -  | -                           |
| <b>Total applications of capital funding (D)</b>                          | <b>8,239</b>                                       | <b>8,074</b>                                       | <b>10,695</b>               |
| <b>Surplus (deficit) of capital funding (C - D)</b>                       | <b>(5,232)</b>                                     | <b>(4,940)</b>                                     | <b>(6,527)</b>              |
| <b>FUNDING BALANCE ((A - B) + (C - D))</b>                                | <b>-</b>   | <b>-</b>   | <b>-</b>                    |

## FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2020/21 budgets prepared as part of the 2018 - 2028 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 2020/21 Annual Plan.

# Sewerage



## What we have done

The Sewerage Activity provided a sewerage system to provide a sewage disposal service to each property in Invercargill, Bluff, Otatara and Omaui residential areas. Treated effluent was discharged from the Clifton

Wastewater Treatment Plant to the New River Estuary, from the Bluff Wastewater Treatment Plant to Foveaux Strait and from the Omaui Oxidation Pond to land adjacent to the community.

## What we agreed with the Community

| Community Outcome             | Council's Role   | How the Activity Contributes   | Customer Level of Service  |
|-------------------------------|--|--|--|
| Enhance our City              | Invercargill's economy continues to grow and diversify.  | The Sewerage Activity receives and treats trade waste.                         | Applications for trade waste are processed efficiently.  |
| Embrace Innovation and Change | The development of future industry is encouraged.  |  |  |
| Preserve its character        | The building blocks, including water, sanitation and roading, for a safe, friendly city are provided for all members of the community. | The Sewerage Activity protects public health by the safe collection of sewage. | Low levels of interruption from the sewerage network.<br>Receiving waters are not adversely affected by effluent discharges. |

## How did we measure up

| Measure  | Target 2020/2021  | Result 2020/2021   |
|--|---|--|
| The number of dry weather sewerage overflows from the Invercargill City Council's sewerage system (per 1,000 connections to the system).   | < 4 blockages per 1,000 properties.   | Achieved - 1.12<br>(2019/20: Achieved - 0.59)  |
| Compliance with the Council's resource consents for discharge, as measured by; <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.  | Achieved - No notices, abatements, infringement notices or convictions recorded against the Council (2019/20: Achieved - No notices, abatements, infringement notices or convictions recorded against the Council) |
| 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: <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.</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> | Service personnel reach site within one hour for emergency work (90% compliance).   | Achieved - 93% compliance - Median response time 15 minutes<br>(2019/20: Achieved - 95% compliance - Median response 18 minutes)   |
|  | Temporary repair completed within four hours for emergency events (95% compliance). | Not Achieved - 93% compliance - Median response 1 hour<br>(2019/20: Achieved - 98% compliance - Median response 1 hour)  |
| The total number of complaints received by Council about any of the following: <ul style="list-style-type: none"> <li>Sewerage odour</li> <li>Sewerage system faults</li> <li>Sewerage system blockages and the Council's response to issues with its sewerage system</li> </ul> Expressed per 1,000 connections to Council's sewerage system.   | Sewerage odour – zero complaints per year.  | Achieved - No complaints received<br>(2019/20: Achieved - No complaints received)  |
|  | System faults and blockages - < 4 complaints per 1,000 connections per year.        | Achieved - 2.47 complaints per 1,000 connections (2019/20: Achieved - 1.26 complaints per 1,000 connections)   |
| Service disruptions for individual properties are less than 12 hours.  | 100%  | Not Achieved - 99%<br>(2019/20: Achieved - 100%)   |
| Trade waste consent applications are responded to within 10 working days.  | 80%   | Achieved - 100%<br>(2019/20: Achieved - 100%)  |
| Comply with effluent quality standards as defined in current discharge consents for Clifton and Bluff facilities   | 100%  | Achieved - 100%<br>(2019/20: Achieved - 100%)  |

## The details

Fewer temporary repairs were undertaken which has resulted in a lower level of compliance on temporary repairs. Instead permanent repairs have most often been undertaken - 98% within the average of 1hr 30 mins.

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### Capital Works Projects

Capital works having a value exceeding \$250,000 in 2020/21 were:

| Project                   | 2020/2021<br>Proposed (Long-term Plan)<br>\$000 | 2020/2021<br>Actual \$000 |
|---------------------------|---|---------------------------|
| Pipe Renewals             | 2,193   | 2,241                     |
| Pump Station Renewals     | 2,852   | 505                       |
| Sewerage Treatment Plants | 10,084  | 224                       |

Pipe renewals spends were higher than forecast due to increasing materials costs. In contrast spends on the pump station renewals and the sewerage treatment plants were lower as a result of work being delayed due

to difficulty in securing materials and equipment. The sewerage pumped mains work is no longer required as a result of the related processing plant physical works not proceeding.

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# Invercargill City Council Funding Impact Statement For 30 June, 2021 for Sewerage



|   | Long-Term Plan<br>2018 - 2028<br>2019/20<br>\$'000 | Long-Term Plan<br>2018 - 2028<br>2020/21<br>\$'000 | Actual<br>2020/21<br>\$'000 |
|---|--|--|-----------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                       |  |  |                             |
| General rates, uniform annual general charges, rates penalties            | -  | -  | -                           |
| Targeted rates  | 6,023  | 6,521  | 6,264                       |
| Subsidies and grants for operating purposes                               | -  | -  | 80                          |
| Fees and charges  | -  | -  | 1,163                       |
| Internal charges and overheads recovered                                  | -  | -  | -                           |
| Interest and dividends from investments                                   | -  | -  | -                           |
| Local authorities fuel tax, fines, infringements, fees and other receipts | 690  | 705  | 5                           |
| <b>Total operating funding (A)</b>  | <b>6,713</b>                                       | <b>7,226</b>                                       | <b>7,513</b>                |
| <b>APPLICATIONS OF OPERATIONAL FUNDING</b>                                |  |  |                             |
| Payment to staff and suppliers  | 3,208  | 3,278  | 3,575                       |
| Finance costs   | 181  | 434  | 74                          |
| Internal charges and overheads applied                                    | -  | -  | 391                         |
| Other operating funding applications                                      | -  | -  | -                           |
| <b>Total applications of operating funding (B)</b>                        | <b>3,389</b>                                       | <b>3,712</b>                                       | <b>4,039</b>                |
| <b>Surplus (deficit) of operating funding (A - B)</b>                     | <b>3,324</b>                                       | <b>3,514</b>                                       | <b>3,473</b>                |
| <b>SOURCES OF CAPITAL FUNDING</b>   |  |  |                             |
| Subsidies and grants for capital expenditure                              | -  | -  | -                           |
| Development and financial contributions                                   | -  | -  | -                           |
| Increase (decrease) in debt   | (586)  | 10,110   | -                           |
| Gross proceeds from sale of assets  | -  | -  | -                           |
| Lump sum contributions  | -  | -  | -                           |
| Other dedicated capital funding   | -  | -  | -                           |
| <b>Total sources of capital funding (C)</b>                               | <b>(586)</b>                                       | <b>10,110</b>                                      | <b>-</b>                    |
| <b>APPLICATIONS OF CAPITAL FUNDING</b>                                    |  |  |                             |
| Capital expenditure   |  |  |                             |
| - to meet additional demand   | -  | -  | -                           |
| - to improve the level of service   | -  | -  | -                           |
| - to replace existing assets  | 2,322  | 15,129   | 3,082                       |
| Increase (decrease) in reserves   | 416  | (1,505)  | 391                         |
| Increase (decrease) in investments  | -  | -  | -                           |
| <b>Total applications of capital funding (D)</b>                          | <b>2,738</b>                                       | <b>13,624</b>                                      | <b>3,473</b>                |
| <b>Surplus (deficit) of capital funding (C - D)</b>                       | <b>(3,324)</b>                                     | <b>(3,514)</b>                                     | <b>(3,473)</b>              |
| <b>FUNDING BALANCE ((A - B) + (C - D))</b>                                | <b>-</b>   | <b>-</b>   | <b>-</b>                    |

## FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2020/21 budgets prepared as part of the 2018 - 2028 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 2020/21 Annual Plan.

# Solid Waste Management



## What we have done

The Solid Waste Management Activity managed the solid waste services including collection of kerbside recyclables, collection of kerbside landfill rubbish, the Solid Waste Transfer Station (resource recovery), landfill operations,

public place and event waste management and minimisation, education, behaviour change and advocacy. The Council collaborated with Southland and Gore District Councils as a shared service called WasteNet Southland.

## What we agreed with the Community

| Community Outcome      | Council's Role   | How the Activity Contributes  | Customer Level of Service   |
|------------------------|--|---|---|
| Preserve its character | The building blocks for a safe, friendly city are provided for all members of the community. | The Solid Waste Activity provides solid waste facilities and services for the sorting, collection and disposal of waste.                            | <p>Ensure regular kerbside collection services.</p> <p>Appropriate facility opening hours.</p> <p>Encourage waste minimisation.</p> |
|                        | Strong, collaborative leadership of the City is demonstrated.                                | The Solid Waste Activity collaborates with other Local Territorial Authorities for the co-ordinated waste management and minimisation in Southland. | Operation of WasteNet Southland as a shared service for the benefit of Southland.   |



## How did we measure up

| Measure  | Target 2020/2021     | Result 2020/2021  |
|--|----------------------|---|
| Trend in kerbside recycling.   | Increasing trend.    | Achieved - 3,300 tonnes<br>(2019/20: Not achieved - 3,040 tonnes)       |
| Trend in kerbside landfill rubbish.  | Decreasing trend.    | Achieved - 10,850 tonnes<br>(2019/20: Not achieved - 11,483 tonnes)     |
| Trend in solid waste to landfill.  | Decreasing trend.    | Not Achieved - 22,333 tonnes<br>(2019/20: Not achieved - 21,329 tonnes) |
| Trend in diverted material.  | Increasing trend.    | Achieved - 10,806 tonnes<br>(2019/20: Not achieved - 8,931 tonnes)      |
| Maintain a regional discarded materials rate of 650kgs per person per annum. | Maintain this level. | Not Achieved - 750 kgs<br>(2019/20: Not achieved - 726 kgs)             |

## The details

The trend in kerbside refuse collection has returned to declining after the increase in 2019/2020 related to Covid-19, although it still remains higher than in 2018/19.



## Invercargill City Council Funding Impact Statement For 30 June, 2021 for Solid Waste Management

|   | Long-Term Plan<br>2018 - 2028<br>2019/20<br>\$'000 | Long-Term Plan<br>2018 - 2028<br>2020/21<br>\$'000 | Actual<br>2020/21<br>\$'000 |
|---|--|--|-----------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                       |  |  |                             |
| General rates, uniform annual general charges, rates penalties            | -  | -  | -                           |
| Targeted rates  | 4,390  | 4,711  | 4,579                       |
| Subsidies and grants for operating purposes                               | -  | -  | -                           |
| Fees and charges  | 2,495  | 2,549  | 5,807                       |
| Internal charges and overheads recovered                                  | 1,801  | 1,840  | 3,814                       |
| Interest and dividends from investments                                   | -  | -  | 17                          |
| Local authorities fuel tax, fines, infringements, fees and other receipts | 61   | 63   | 1,291                       |
| <b>Total operating funding (A)</b>  | <b>8,747</b>                                       | <b>9,163</b>                                       | <b>15,508</b>               |
| <b>APPLICATIONS OF OPERATIONAL FUNDING</b>                                |  |  |                             |
| Payment to staff and suppliers  | 6,885  | 7,261  | 10,991                      |
| Finance costs   | -  | -  | 22                          |
| Internal charges and overheads applied                                    | 1,801  | 1,840  | 4,129                       |
| Other operating funding applications                                      | -  | -  | -                           |
| <b>Total applications of operating funding (B)</b>                        | <b>8,686</b>                                       | <b>9,101</b>                                       | <b>15,142</b>               |
| <b>Surplus (deficit) of operating funding (A - B)</b>                     | <b>61</b>  | <b>62</b>  | <b>366</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>APPLICATIONS OF CAPITAL FUNDING</b>                                    |  |  |                             |
| Capital expenditure   |  |  |                             |
| - to meet additional demand   | -  | -  | -                           |
| - to improve the level of service   | -  | -  | -                           |
| - to replace existing assets  | 102  | 104  | 2                           |
| Increase (decrease) in reserves   | (41)   | (42)   | 364                         |
| Increase (decrease) in investments  | -  | -  | -                           |
| <b>Total applications of capital funding (D)</b>                          | <b>61</b>  | <b>62</b>  | <b>366</b>                  |
| <b>Surplus (deficit) of capital funding (C - D)</b>                       | <b>(61)</b>  | <b>(62)</b>  | <b>(366)</b>                |
| <b>FUNDING BALANCE ((A - B) + (C - D))</b>                                | <b>-</b>   | <b>-</b>   | <b>-</b>                    |

The above figures include the Invercargill City Council share of Wastenet.

### FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2020/21 budgets prepared as part of the 2018 - 2028 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 2020/21 Annual Plan.

# Stormwater



## What we have done

The Stormwater Activity managed the stormwater network of pipes, open drains and pumping stations for the collection and disposal of stormwater to protect property from flood damage. The Stormwater Activity provided a stormwater service to properties in the Invercargill and Bluff urban areas and approximately

47 kilometres of open drains, mostly situated in the Otatara area. The Activity also managed the tide protection banks around the Stead Street and Cobbe Road (rifle range) as part of the City's flood protection schemes.

## What we agreed with the Community

| Community Outcome             | Council's Role   | How the Activity Contributes  | Customer Level of Service  |
|-------------------------------|--|---|--|
| Enhance our City              | Invercargill's economy continues to grow and diversify.  | The Stormwater Activity prevents urban areas from flooding.   | Number of habitable floors affected by flooding.                               |
| Embrace innovation and change | The development of future industry is encouraged.  |   | Complaints received by Council about the performance of its stormwater system. |
| Preserve its character        | The building blocks, including water, sanitation and roading, for a safe, friendly city are provided for all members of the community. | The Stormwater Activity protects properties from flooding damage and receiving waters are not adversely affected by contaminated discharge. | Response time to flood events.   |
|                               |  |   | Compliance with consents for discharge.  |

## How did we measure up

| Measure   | Target 2020/2021  | Result 2020/2021  |
|---|---|---|
| Number of flooding events that occur in the Invercargill City district. For each flooding event, the number of habitable floors affected, per 1,000 properties connected to the stormwater system.  | No houses flooded during five year return period storm. | Not Achieved - 2 properties flooded as a result of heavy rain<br>(2019/20: Not achieved - 1 property flooded as a result of consistent heavy rain)  |
| 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 notices</li> <li>Convictions, received by Council in relation to those resource consents.</li> </ul> | 100% Compliance.  | Achieved - No abatement or infringement notices, enforcement orders or convictions<br>(2019/20: Not achieved - 1 enforcement order and 1 conviction for a sewer overflow discharging into 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 - 2.47<br>(2019/20: Achieved - 0.86)   |
| 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 - 96% Median response 27 Minutes<br>(2019/20: Achieved - 100% Median response 23 minutes)  |

Two events were caused by heavy rainfall in Otatara with multiple properties affected.

## Capital Works Projects

Capital works having a value exceeding \$250,000 in 2020/21 were:

| Project                           | 2020/2021 Proposed (Long-term Plan) \$000 | 2020/2021 Actual \$000 |
|-----------------------------------|---|------------------------|
| Pump Station Renewals             | 1,204                                     | 87                     |
| Pipe Renewals (including upgrade) | 3,269                                     | 1,836                  |

Under expenditure in pipe renewals and upgrades was as a result of resourcing challenges in completing design to get the work to market. Under expenditure on the

pump station renewals due to difficulty in securing SCADA equipment.

# Invercargill City Council Funding Impact Statement For 30 June, 2021 for Storm Water



|   | Long-Term Plan<br>2018 - 2028<br>2019/20<br>\$'000 | Long-Term Plan<br>2018 - 2028<br>2020/21<br>\$'000 | Actual<br>2020/21<br>\$'000 |
|---|--|--|-----------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                       |  |  |                             |
| General rates, uniform annual general charges, rates penalties            | -  | -  | -                           |
| Targeted rates  | 4,286  | 4,519  | 4,315                       |
| Subsidies and grants for operating purposes                               | -  | -  | -                           |
| Fees and charges  | -  | -  | 7                           |
| Internal charges and overheads recovered                                  | -  | -  | -                           |
| Interest and dividends from investments                                   | -  | -  | -                           |
| Local authorities fuel tax, fines, infringements, fees and other receipts | -  | -  | 48                          |
| <b>Total operating funding (A)</b>  | <b>4,286</b>                                       | <b>4,519</b>                                       | <b>4,370</b>                |
| <b>APPLICATIONS OF OPERATIONAL FUNDING</b>                                |  |  |                             |
| Payment to staff and suppliers  | 1,730  | 1,769  | 1,798                       |
| Finance costs   | 108  | 173  | 3                           |
| Internal charges and overheads applied                                    | -  | -  | 370                         |
| Other operating funding applications                                      | -  | -  | -                           |
| <b>Total applications of operating funding (B)</b>                        | <b>1,838</b>                                       | <b>1,942</b>                                       | <b>2,170</b>                |
| <b>Surplus (deficit) of operating funding (A - B)</b>                     | <b>2,448</b>                                       | <b>2,577</b>                                       | <b>2,200</b>                |
| <b>SOURCES OF CAPITAL FUNDING</b>   |  |  |                             |
| Subsidies and grants for capital expenditure                              | -  | -  | 821                         |
| Development and financial contributions                                   | -  | -  | -                           |
| Increase (decrease) in debt   | 325  | 1,896  | -                           |
| Gross proceeds from sale of assets  | -  | -  | -                           |
| Lump sum contributions  | -  | -  | -                           |
| Other dedicated capital funding   | -  | -  | -                           |
| <b>Total sources of capital funding (C)</b>                               | <b>325</b>   | <b>1,896</b>                                       | <b>821</b>                  |
| <b>APPLICATIONS OF CAPITAL FUNDING</b>                                    |  |  |                             |
| Capital expenditure   |  |  |                             |
| - to meet additional demand   | -  | -  | -                           |
| - to improve the level of service   | 205  | 240  | -                           |
| - to replace existing assets  | 2,568  | 4,233  | 2,895                       |
| Increase (decrease) in reserves   | -  | -  | 126                         |
| Increase (decrease) in investments  | -  | -  | -                           |
| <b>Total applications of capital funding (D)</b>                          | <b>2,773</b>                                       | <b>4,473</b>                                       | <b>3,021</b>                |
| <b>Surplus (deficit) of capital funding (C - D)</b>                       | <b>(2,448)</b>                                     | <b>(2,577)</b>                                     | <b>(2,200)</b>              |
| <b>FUNDING BALANCE ((A - B) + (C - D))</b>                                | <b>-</b>   | <b>-</b>   | <b>-</b>                    |

## FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2020/21 budgets prepared as part of the 2018 - 2028 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 2020/21 Annual Plan.

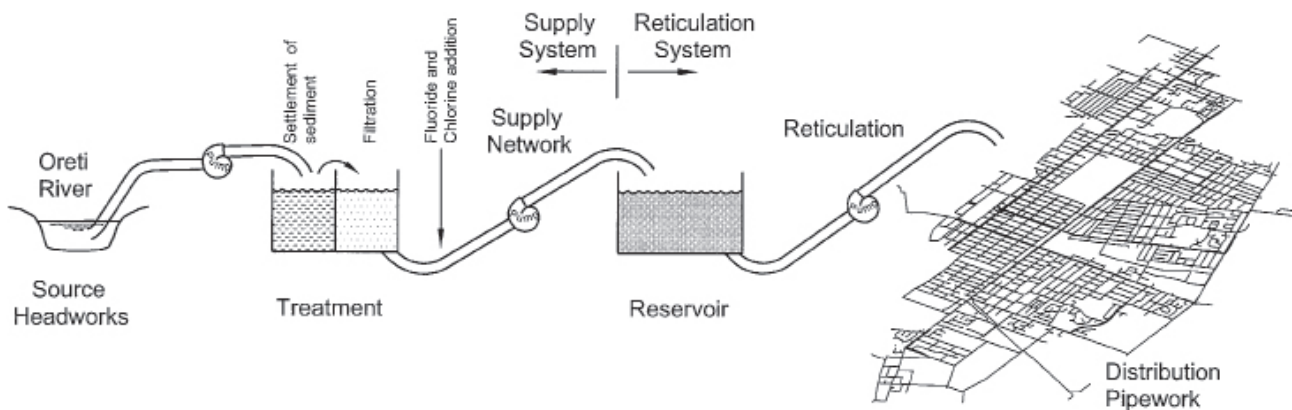


# Water Supply

## What we have done

The Water Supply Activity supplied potable water to residential, industrial and commercial properties to protect public health and support city growth. Council

supplied water at pressure to the boundary of each property in the Bluff and Invercargill suburban areas and also to properties where the main pipeline has been laid.



## What we agreed with the Community

| Community Outcome      | Council's Role   | How the Activity Contributes  | Customer Level of Service  |
|------------------------|--|---|--|
| Enhance our City       | Invercargill's economy continues to grow and diversify.  | The Water Supply Activity provides a water network with sufficient capacity to meet demand and firefighting requirements. | There is sufficient water flow and pressure for firefighting purposes.                             |
| Preserve its character | The building blocks, including water, sanitation and roading, for a safe, friendly city are provided for all members of the community. | The Water Supply Activity provides a safe, reliable supply of water.  | The water supply is safe to drink.<br>Reticulated properties receive a continuous supply of water. |

## How did we measure up

| Measure   | Target 2020/2021                                       | Result 2020/2021   |
|---|--|--|
| Safety of drinking water. The extent to which the local authority's drinking water complies with; number of breaches of part 4 of the drinking-water standards.             | 100% compliance.                                       | Achieved - 100%<br>This result is provisional, pending assessment of compliance by the Independent Drinking-Water Assessor. (2019/20: Achieved 100%) |
| The extent to which the local authority's drinking water complies with part 5 (protozoal compliance criteria) of the drinking water standards.                              | 100% compliance.                                       | Achieved - 100%<br>This result is provisional, pending assessment of compliance by the Independent Drinking-Water Assessor. (2019/20: Achieved 100%) |
| The percentage of real water loss from the networked reticulation system*   | <30%   | Achieved - 9.6%<br>(2019/20: Achieved 9.6%)  |
| The total number of complaints received by Council per 1,000 connections about:   |  |  |
| - Drinking water clarity.   | No more than 0.45 per month.                           | Achieved - Maximum of 0.10<br>(2019/20: Achieved - Maximum of 0.24)  |
| - Drinking water taste.   | No more than 0.45 per month.                           | Achieved - Maximum of 0.05<br>(2019/20: Achieved - Maximum of 0.10)  |
| - Drinking water odour.   | No more than 0.45 per month.                           | Achieved - Maximum of 0.00<br>(2019/20: Achieved - Maximum of 0.00)  |
| - Drinking water pressure or flow.  | No more than 0.45 per month.                           | Achieved - Maximum of 0.14<br>(2019/20: Achieved - Maximum of 0.14)  |
| - Continuity of supply.   | No more than 0.45 per month.                           | Achieved - Maximum of 0.24<br>(2019/20: Achieved - Maximum of 0.10)  |
| - Council's response time to any of the above issues.   | No more than 0.45 per month.                           | Achieved - Maximum of 0.00<br>(2019/20: Achieved - Maximum of 0.05)  |
| Attendance for urgent call-outs from the time Council receives notification to the time that service personnel reach the site.  | Median response times do not exceed 4 hours.           | Achieved - 22 minutes)<br>(2019/20: Achieved - 16 minutes)   |
| 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.     | Median response times do not exceed 24 hours.          | Achieved - 1 hour and 28 minutes<br>(2020/19: Achieved - 1 hour and 17 minutes)  |
| Attendance for non-urgent call-outs from the time Council receives notification to the time that service personnel reach the site.  | Median response times do not exceed five working days. | Achieved - 4 days, 22 hours and 31 minutes<br>(2019/20: Not achieved - 5 days, 9 hours and 23 minutes)   |
| 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. | Median response times do not exceed 10 working days.   | Achieved - 5 days, 1 hour and 8 minutes<br>(2019/20: Achieved - 6 days, 4 hours and 26 minutes)  |

| Measure   | Target 2020/2021   | Result 2020/2021   |
|---|--|--|
| Average drinking water consumption per resident per day.                                | Less than 700 litres /day  | Achieved - 389 litres/day (2019/20: Achieved - 431 litres/day)                                       |
| Ministry of Health Grade.   | Invercargill – Aa<br>Bluff - Aa  | Not Achieved - Invercargill - Aa, Bluff - Ab (2019/20: Not Achieved - Invercargill - Aa, Bluff - Ab) |
| Notification of planned shutdowns is given at least 24 hours beforehand by letter drop. | 80%.   | Achieved - 97% (2019/20: Achieved - 98%)   |
| Duration of break.  | No more than eight hours.  | Not Achieved - 99% of the time was more than eight hours <sup>A</sup> (2019/20: Achieved - 100%)     |
| Hydrants meet firefighting standards.   | At least 97.5% of hydrants tested exceed 12.5 litres per second flow rate. | Achieved - 100% (2019/20: Achieved - 100%)   |

Grading of water supplies is no longer supported by the Ministry of Health and so this performance measure is no longer relevant. Council does have a current Water Safety Plan which covers Bluff and has been approved by the Ministry of Health.

<sup>A</sup>There was one event of a duration in break of service and the process for logging information in a timely manner is being reviewed.

**\* Notes**

Calculation method (outlined in Water NZ Water Loss Guidelines)

**1. Treatment plant production**

*minus* non-domestic

*minus* domestic

*minus* known unbilled

= Estimated non-revenue water

**2. Estimated non-revenue water divided by period's treatment**

plant production = Percentage real water loss





## What else have we done

Phases one and two of the four phase investigation into the feasibility of an underground water source were completed.



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## Capital Works Projects

| Project      | 2020/2021<br>Proposed (Long-term Plan)<br>\$000 | 2020/2021<br>Actual \$000 |
|--------------|---|---------------------------|
| Pipe renewal | 5,859   | 2,649                     |

Lower than planned expenditure is due to the delay in commencement of the first stage of renewal of the Branxholme pipe line. Finalisation of easement agreements through private property and establishment

of a contract agreement for installation were not able to be completed. This is planned for completion in 2021/2022.

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# Invercargill City Council Funding Impact Statement For 30 June, 2021 for Water Supply



|   | Long-Term Plan<br>2018 - 2028<br>2019/20<br>\$'000 | Long-Term Plan<br>2018 - 2028<br>2020/21<br>\$'000 | Actual<br>2020/21<br>\$'000 |
|---|--|--|-----------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                       |  |  |                             |
| General rates, uniform annual general charges, rates penalties            | -  | -  | -                           |
| Targeted rates  | 7,867  | 8,255  | 8,151                       |
| Subsidies and grants for operating purposes                               | -  | -  | 140                         |
| Fees and charges  | 1,657  | 1,788  | 1,432                       |
| Internal charges and overheads recovered                                  | -  | -  | -                           |
| Interest and dividends from investments                                   | -  | -  | 20                          |
| Local authorities fuel tax, fines, infringements, fees and other receipts | -  | -  | 5                           |
| <b>Total operating funding (A)</b>  | <b>9,524</b>                                       | <b>10,043</b>                                      | <b>9,748</b>                |
| <b>APPLICATIONS OF OPERATIONAL FUNDING</b>                                |  |  |                             |
| Payment to staff and suppliers  | 4,886  | 5,010  | 4,600                       |
| Finance costs   | 795  | 1,011  | 339                         |
| Internal charges and overheads applied                                    | -  | -  | 747                         |
| Other operating funding applications                                      | -  | -  | -                           |
| <b>Total applications of operating funding (B)</b>                        | <b>5,681</b>                                       | <b>6,021</b>                                       | <b>5,686</b>                |
| <b>Surplus (deficit) of operating funding (A - B)</b>                     | <b>3,843</b>                                       | <b>4,022</b>                                       | <b>4,063</b>                |
| <b>SOURCES OF CAPITAL FUNDING</b>   |  |  |                             |
| Subsidies and grants for capital expenditure                              | -  | -  | -                           |
| Development and financial contributions                                   | -  | -  | -                           |
| Increase (decrease) in debt   | 1,307  | 2,090  | -                           |
| Gross proceeds from sale of assets  | -  | -  | 39                          |
| Lump sum contributions  | -  | -  | -                           |
| Other dedicated capital funding   | -  | -  | -                           |
| <b>Total sources of capital funding (C)</b>                               | <b>1,307</b>                                       | <b>2,090</b>                                       | <b>39</b>                   |
| <b>APPLICATIONS OF CAPITAL FUNDING</b>                                    |  |  |                             |
| Capital expenditure   |  |  |                             |
| - to meet additional demand   | -  | -  | -                           |
| - to improve the level of service   | -  | -  | 3                           |
| - to replace existing assets  | 5,873  | 6,112  | 3,270                       |
| Increase (decrease) in reserves   | (723)  | -  | 829                         |
| Increase (decrease) in investments  | -  | -  | -                           |
| <b>Total applications of capital funding (D)</b>                          | <b>5,150</b>                                       | <b>6,112</b>                                       | <b>4,102</b>                |
| <b>Surplus (deficit) of capital funding (C - D)</b>                       | <b>(3,843)</b>                                     | <b>(4,022)</b>                                     | <b>(4,063)</b>              |
| <b>FUNDING BALANCE ((A - B) + (C - D))</b>                                | <b>-</b>   | <b>-</b>   | <b>-</b>                    |

## FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2020/21 budgets prepared as part of the 2018 - 2028 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 2020/21 Annual Plan.



# Regulatory Services

## What we have done

The Regulatory Services Group of Activities interpreted and implemented the legislative responsibilities of the Council. The Group provided the Resource Management, Building Services, Environmental Health, Compliance and Animal Services activities in a friendly,

professional and efficient manner. The Group balanced acceptable community behaviour with the community's expectation for enforcement, for example, balancing the rights of dog ownership against barking dog nuisance.

## What we agreed with the Community

| Community Outcome             | Council's Role   | How the Activity Contributes  | Customer Level of Service   |
|-------------------------------|--|---|---|
| Enhance our City              | Invercargill's business areas are bustling with people, activities and culture.              | Development is promoted that provides for effective and sustained economic growth while meeting minimum environmental and health standards. | Development applications are assessed against our regulatory responsibilities.                                    |
| Preserve its character        | The building blocks for a safe, friendly city are provided for all members of the community. | The community's compliance with legislation and Council policies and bylaws enables us to live closely together in a safe environment.      | Significant heritage is protected within Invercargill.  |
|                               | Invercargill is celebrated for preserving its heritage character.                            | Opportunities are provided for development across the District.   |   |
| Embrace innovation and change | The development of future industry is encouraged.  | Opportunities are provided for development across the District.   | The community is able to engage with the development and review of plans relating to the development in the City. |
|                               | Technology is used in both existing and new City services.                                   | Technology is increasingly utilised to enable stakeholders to more easily engage with our services.   | Customers have options on how they engage the staff and lodge their applications.                                 |

## How did we measure up

| Measure  | Target 2020/2021   | Result 2020/2021   |
|--|--|--|
| We process building, resource consent, food and alcohol applications in accordance with the quality manual and statutory timeframes. | 100% building, non-notified resource consents not requiring a hearing and food applications are issued within 20 working days of receipt.  | Achieved - 100% of building consents, 100% of resource consents and 100% of food applications issued within 20 working days<br>(2019/20: Not achieved - 58% of building consents, 94% of resource consents and 100% of food applications issued within 20 working days)                  |
|  | 100% alcohol applications not requiring a hearing are issued within 30 working days of receipt.  | Achieved - 100%<br>(2019/20: 100% of applications were processed within 30 working days)   |
| We identify potentially earthquake-prone buildings.  | Potentially earthquake-prone buildings are identified in 20% of the blocks identified by the Priority Buildings Area maps (note maps available on Council's website – <a href="http://icc.govt.nz">icc.govt.nz</a> ) | Achieved - 100%<br>(2019/20: Achieved - 100%)  |
| We promote incentives to owners of heritage buildings, especially when they undertake earthquake strengthening.                      | Earthquake-prone buildings incentives are developed and implemented.   | Achieved - (2019/20: Achieved)   |
| We regularly review plans and bylaws relating to Regulatory Services, and provide for an opportunity for public consultation.        | Plans and Bylaws are reviewed regularly in line with the timetable included within the Regulatory Services Activity Management Plan.   | Not Achieved - (2019/20: Not Achieved) (see details section on next page)  |
| 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 - 61% of LIM applications 30% of resource consent applications; 31% of dog registrations are lodged electronically<br>(2019/20: Not achieved - 44% of applications are lodged electronically - 62% of LIM applications; 42% of resource consents; 28% of dog registrations) |



## The details

Plans and bylaws were reviewed within regulatory required timeframes but not in line with the timetable within the Activity Plan which is now out of date.

There have been significant improvements to processes in the building team over the course of the last year.

Resource consent numbers have increased over the last six months and additional resource is being engaged to assist.

Work on Earthquake Prone Buildings continues at a steady pace building on the good work already achieved in previous years which means that we remain ahead of schedule having engaged a new Compliance Specialist at the start of 2021.

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# Invercargill City Council Funding Impact Statement For 30 June, 2021 for Regulatory Services



|   | Long-Term Plan<br>2018 - 2028<br>2019/20<br>\$'000 | Long-Term Plan<br>2018 - 2028<br>2020/21<br>\$'000 | Actual<br>2020/21<br>\$'000 |
|---|--|--|-----------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                       |  |  |                             |
| General rates, uniform annual general charges, rates penalties            | -  | -  | -                           |
| Targeted rates  | 3,672  | 3,756  | 3,706                       |
| Subsidies and grants for operating purposes                               | -  | -  | 22                          |
| Fees and charges  | 3,454  | 3,530  | 4,716                       |
| Internal charges and overheads recovered                                  | 2,373  | 2,421  | 71                          |
| Interest and dividends from investments                                   | -  | -  | 8                           |
| Local authorities fuel tax, fines, infringements, fees and other receipts | 1,126  | 1,160  | 816                         |
| <b>Total operating funding (A)</b>  | <b>10,625</b>                                      | <b>10,867</b>                                      | <b>9,339</b>                |
| <b>APPLICATIONS OF OPERATIONAL FUNDING</b>                                |  |  |                             |
| Payment to staff and suppliers  | 8,169  | 8,315  | 6,988                       |
| Finance costs   | 2  | 2  | -                           |
| Internal charges and overheads applied                                    | 2,373  | 2,421  | 1,949                       |
| Other operating funding applications                                      | -  | -  | -                           |
| <b>Total applications of operating funding (B)</b>                        | <b>10,544</b>                                      | <b>10,738</b>                                      | <b>8,937</b>                |
| <b>Surplus (deficit) of operating funding (A - B)</b>                     | <b>81</b>  | <b>129</b>   | <b>401</b>                  |
| <b>SOURCES OF CAPITAL FUNDING</b>   |  |  |                             |
| Subsidies and grants for capital expenditure                              | -  | -  | -                           |
| Development and financial contributions                                   | -  | -  | -                           |
| Increase (decrease) in debt   | (11)   | (11)   | -                           |
| Gross proceeds from sale of assets  | 49   | 19   | (4)                         |
| Lump sum contributions  | -  | -  | -                           |
| Other dedicated capital funding   | -  | -  | -                           |
| <b>Total sources of capital funding (C)</b>                               | <b>38</b>  | <b>8</b>   | <b>(4)</b>                  |
| <b>APPLICATIONS OF CAPITAL FUNDING</b>                                    |  |  |                             |
| Capital expenditure   |  |  |                             |
| - to meet additional demand   | -  | -  | -                           |
| - to improve the level of service   | -  | -  | -                           |
| - to replace existing assets  | 134  | 64   | 188                         |
| Increase (decrease) in reserves   | (15)   | 73   | 210                         |
| Increase (decrease) in investments  | -  | -  | -                           |
| <b>Total applications of capital funding (D)</b>                          | <b>119</b>   | <b>137</b>   | <b>397</b>                  |
| <b>Surplus (deficit) of capital funding (C - D)</b>                       | <b>(81)</b>  | <b>(129)</b>                                       | <b>(401)</b>                |
| <b>FUNDING BALANCE ((A - B) + (C - D))</b>                                | <b>-</b>   | <b>-</b>   | <b>-</b>                    |

The above figures include the Invercargill City Council share of Emergency Management Southland.

## FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2020/21 budgets prepared as part of the 2018 - 2028 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 2020/21 Annual Plan.



# Community Development

## What we do

The Community Development Activity assisted individuals, groups and organisations to identify not-for-profit opportunities and advocated for community services. The Activity also continued working 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   |
|-------------------------------|---|--|---|
| Preserve its character        | The building blocks for a safe, friendly city is provided for all members of the community. | The Community Development Activity co-ordinates the Safe in the South programme on behalf of the Invercargill City Council and the Southland District Council, and co-ordinates the Neighbourhood Support programme in the City.               | Council is committed to building a safe connected community.                              |
| Embrace innovation and change | Invercargill has the 'wow factor' with the right facilities and events to enjoy.            | The Community Development Activity works collaboratively with the community to encourage the development of local events and administers funding through the Creative Communities Invercargill and Invercargill Active Communities programmes. | Funding is available for increasing participation in arts, culture and physical activity. |
| Enhance our City              | Invercargill's business areas are bustling with people, activities and culture.             | The Community Development Activity co-ordinates the use of the "friendly" brand.   | Council believes that families are the building blocks of our city.                       |
| Preserve its character        | Strong, collaborative leadership of the City is demonstrated.                               | The Community Development Activity co-ordinates and provides administrative support for the Youth Council.   | Youth Council members are enthused to plan and undertake initiatives.                     |

## How did we measure up

| Measure   | Target 2020/2021   | Result 2020/2021   |
|---|--------------------|--|
| Number of groups and households involved in the Neighbourhood Support programme.      | Increasing number. | N/A - Programme Closed (2019/20: Not Achieved - 1275 household and 125 groups) |
| Number of residents participating in programmes funded by the two funding programmes. | 10,000             | Achieved 48,349 (2019/201: Achieved - 30,094)                                  |
| Number of events, agencies and businesses achieving the use of the Friendly brand.    | 12                 | N/A - Programme Closed (2019/201: Not Achieved - 8)                            |
| Number of young people taking part in initiatives.                                    | 400                | Not Achieved - 233 (2019/20: Achieved 1253)                                    |

## The details

The Community Development function was disestablished at the end of 2019/2020 financial year, with continuing functions to be undertaken by the Strategy and Policy team.

The Neighbourhood Support Programme was reviewed in the 2018/19 year and has been closed with the end of the 2019/20 year.

The Friendly Brand has been reviewed and has been retired as it is no longer achieving the goals of the Child Youth and Family Friendly Policy.

Following the review of Community Development, Youth Council has changed the way it operates meeting on a monthly rather than fortnightly basis. They have also delivered a different range of projects this year which has resulted in fewer young people participating.

Council has funded a diverse range of community events in 2020/2021 attended by many people within the community.



## Invercargill City Council Funding Impact Statement For 30 June, 2021 for Community Development



|   | Long-Term Plan<br>2018 - 2028<br>2019/20<br>\$'000 | Long-Term Plan<br>2018 - 2028<br>2020/21<br>\$'000 | Actual<br>2020/21<br>\$'000 |
|---|--|--|-----------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                       |  |  |                             |
| General rates, uniform annual general charges, rates penalties            | 336  | 343  | -                           |
| Targeted rates  | 127  | 129  | 129                         |
| Subsidies and grants for operating purposes                               | 25   | 25   | -                           |
| Fees and charges  | -  | -  | 1                           |
| Internal charges and overheads recovered                                  | -  | -  | -                           |
| Interest and dividends from investments                                   | -  | -  | 1                           |
| Local authorities fuel tax, fines, infringements, fees and other receipts | 3  | 3  | -                           |
| <b>Total operating funding (A)</b>  | <b>491</b>   | <b>500</b>   | <b>131</b>                  |
| <b>APPLICATIONS OF OPERATIONAL FUNDING</b>                                |  |  |                             |
| Payment to staff and suppliers  | 478  | 488  | 139                         |
| Finance costs   | 4  | 5  | -                           |
| Internal charges and overheads applied                                    | -  | -  | -                           |
| Other operating funding applications                                      | -  | -  | -                           |
| <b>Total applications of operating funding (B)</b>                        | <b>482</b>   | <b>493</b>   | <b>139</b>                  |
| <b>Surplus (deficit) of operating funding (A - B)</b>                     | <b>9</b>   | <b>7</b>   | <b>(7)</b>                  |
| <b>SOURCES OF CAPITAL FUNDING</b>   |  |  |                             |
| Subsidies and grants for capital expenditure                              | -  | -  | -                           |
| Development and financial contributions                                   | -  | -  | -                           |
| Increase (decrease) in debt   | (4)  | (4)  | -                           |
| Gross proceeds from sale of assets  | -  | -  | -                           |
| Lump sum contributions  | -  | -  | -                           |
| Other dedicated capital funding   | -  | -  | -                           |
| <b>Total sources of capital funding (C)</b>                               | <b>(4)</b>   | <b>(4)</b>   | <b>-</b>                    |
| <b>APPLICATIONS OF CAPITAL FUNDING</b>                                    |  |  |                             |
| Capital expenditure   |  |  |                             |
| - to meet additional demand   | -  | -  | -                           |
| - to improve the level of service   | -  | -  | -                           |
| - to replace existing assets  | -  | -  | -                           |
| Increase (decrease) in reserves   | 5  | 3  | (7)                         |
| Increase (decrease) in investments  | -  | -  | -                           |
| <b>Total applications of capital funding (D)</b>                          | <b>5</b>   | <b>3</b>   | <b>(7)</b>                  |
| <b>Surplus (deficit) of capital funding (C - D)</b>                       | <b>(9)</b>   | <b>(7)</b>   | <b>7</b>                    |
| <b>FUNDING BALANCE ((A - B) + (C - D))</b>                                | <b>-</b>   | <b>-</b>   | <b>-</b>                    |

### FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2020/21 budgets prepared as part of the 2018 - 2028 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 2020/21 Annual Plan.

# Housing Care



## What we have done

The Housing Care activity of the Council provided adequate affordable housing for the elderly, disabled and those on low fixed incomes that meet Council's

entry criteria. Council achieved this through the ownership of 21 complexes providing 215 units in Invercargill and Bluff.

## What we agreed with the Community

| Community Outcome      | Council's Role  | How the Activity Contributes  | Customer Level of Service             |
|------------------------|---|---|---------------------------------------|
| Preserve its character | The building blocks for a safe, friendly city is provided for all members of the community. | Housing Care services provides low cost, quality accommodation to the elderly, disabled and those on fixed incomes. | Affordable accommodation is provided. |

## How did we measure up

| Measure  | Target 2020/2021 | 2020/2021                                   |
|--|------------------|---|
| Housing care rental does not exceed 30% of gross superannuation benefit. | <30%             | Achieved - 22%<br>(2019/20: Achieved - 25%) |

## Capital Works Projects

Capital works having a value exceeding \$100,000 in 2020/21 were:

| Project         | 2020/2021 Proposed \$000 | 2020/2021 Actual \$000 |
|-----------------|--------------------------|------------------------|
| Roof at Otarewa | 115                      | 43                     |

## The details

The work was deferred temporarily due to insufficient staff resources available to manage the work.



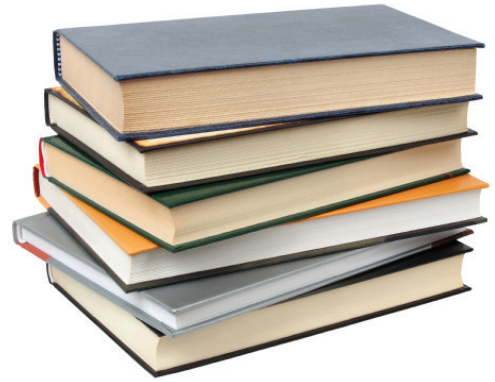
## Invercargill City Council Funding Impact Statement For 30 June, 2021 for Housing Care

|   | Long-Term Plan<br>2018 - 2028<br>2019/20<br>\$'000 | Long-Term Plan<br>2018 - 2028<br>2020/21<br>\$'000 | Actual<br>2020/21<br>\$'000 |
|---|--|--|-----------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                       |  |  |                             |
| General rates, uniform annual general charges, rates penalties            | -  | -  | -                           |
| Targeted rates  | -  | -  | -                           |
| Subsidies and grants for operating purposes                               | -  | -  | -                           |
| Fees and charges  | 1,171  | 1,199  | 1,193                       |
| Internal charges and overheads recovered                                  | 808  | 826  | -                           |
| Interest and dividends from investments                                   | -  | -  | 14                          |
| Local authorities fuel tax, fines, infringements, fees and other receipts | -  | -  | -                           |
| <b>Total operating funding (A)</b>  | <b>1,979</b>                                       | <b>2,025</b>                                       | <b>1,206</b>                |
| <b>APPLICATIONS OF OPERATIONAL FUNDING</b>                                |  |  |                             |
| Payment to staff and suppliers  | 889  | 908  | 754                         |
| Finance costs   | -  | -  | -                           |
| Internal charges and overheads applied                                    | 808  | 826  | 380                         |
| Other operating funding applications                                      | -  | -  | -                           |
| <b>Total applications of operating funding (B)</b>                        | <b>1,697</b>                                       | <b>1,734</b>                                       | <b>1,134</b>                |
| <b>Surplus (deficit) of operating funding (A - B)</b>                     | <b>282</b>   | <b>291</b>   | <b>72</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>APPLICATIONS OF CAPITAL FUNDING</b>                                    |  |  |                             |
| Capital expenditure   |  |  |                             |
| - to meet additional demand   | -  | -  | -                           |
| - to improve the level of service   | -  | -  | 113                         |
| - to replace existing assets  | 128  | 326  | 122                         |
| Increase (decrease) in reserves   | 154  | (35)   | (162)                       |
| Increase (decrease) in investments  | -  | -  | -                           |
| <b>Total applications of capital funding (D)</b>                          | <b>282</b>   | <b>291</b>   | <b>72</b>                   |
| <b>Surplus (deficit) of capital funding (C - D)</b>                       | <b>(282)</b>                                       | <b>(291)</b>                                       | <b>(72)</b>                 |
| <b>FUNDING BALANCE ((A - B) + (C - D))</b>                                | <b>-</b>   | <b>-</b>   | <b>-</b>                    |

### FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2020/21 budgets prepared as part of the 2018 - 2028 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 2020/21 Annual Plan.

# Libraries



## What we have done

The Libraries activity supported and encouraged lifelong learning, digital literacy and reading across all ages and abilities. It did this by offering a welcoming and innovative library service, including spaces for

community participation and social connections. The activity collected, preserved and guided access to quality information and also provided opportunities to participate in the online world.

## What we agreed with the Community

| Community Outcome             | Council's Role  | How the Activity Contributes  | Customer Level of Service   |
|-------------------------------|---|---|---|
| Enhance our City              | Invercargill's business areas are bustling with people, activities and culture.                       | Providing freely accessible shared community spaces which encourage social interaction and community cohesion.  | Libraries are accessible and available to the wider community.                              |
|                               | New residents feel welcomed and embraced by Invercargill culture.                                     |   |   |
| Preserve its character        | Invercargill is celebrated for preserving its heritage character.                                     | Collecting, creating and conserving content relating to local community culture, identity and heritage.   | Libraries collections, both digital and physical are of good quality, quantity and variety. |
|                               | Strong, collaborative leadership of the City is demonstrated.   | The Library service collaborates with and provides leadership for inner city initiatives.   | Services offer a good experience for all users.   |
| Embrace innovation and change | Technology is utilised in both existing and new City services.  | Providing access to the online world and the world at large through internet computers and access to Wi-Fi. Enabling members of the community to develop the appropriate skills and knowledge to be technologically competent and effective digital citizens. | Libraries collections, both digital and physical are of good quality, quantity and variety. |
|                               | Residents of, as well as visitors to, Invercargill give positive feedback and have great experiences. | Programmes and events are provided for all ages.  | Services offer a good experience for all users.   |

## How did we measure up

| Measure  | Target 2020/2021 | Result 2020/2021  |
|--|------------------|---|
| Number of issues per year                      | 600,000          | Not achieved - 596,382<br>(2019/20: Not achieved - 531,645) |
| Number of visits per year                      | 520,000          | Not achieved - 459,429<br>(2019/20: Not achieved - 442,988) |
| Level of reference enquiries                   | 85,000           | Achieved - 104,247<br>(2019/20: Achieved - 104,278)         |
| Library membership as a % of total population. | 65 – 75%         | Achieved - 69%<br>(2019/20: Achieved - 69%)                 |

### The details

The use of library collections has nearly returned to pre-Covid levels. The visitor target has not been reached with building disruption in the central business district combining with the increasing remote use of online resources which has continued following the Covid

19 lockdown. However the last quarter has shown an increase to visitor numbers closer to pre-Covid levels. The population was updated to 55,900 (2018 census) from 51,697 (2013 census) to calculate membership percentage still reaching the >65% target.

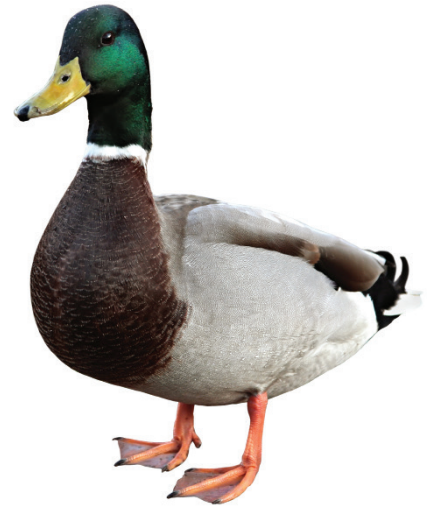
## Invercargill City Council Funding Impact Statement For 30 June, 2021 for Libraries



|   | Long-Term Plan<br>2018 - 2028<br>2019/20<br>\$'000 | Long-Term Plan<br>2018 - 2028<br>2020/21<br>\$'000 | Actual<br>2020/21<br>\$'000 |
|---|--|--|-----------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                       |  |  |                             |
| General rates, uniform annual general charges, rates penalties            | -  | -  | -                           |
| Targeted rates  | 4,249  | 4,333  | 4,452                       |
| Subsidies and grants for operating purposes                               | 5  | 5  | -                           |
| Fees and charges  | 149  | 152  | 133                         |
| Internal charges and overheads recovered                                  | 838  | 856  | -                           |
| Interest and dividends from investments                                   | -  | -  | 5                           |
| Local authorities fuel tax, fines, infringements, fees and other receipts | 32   | 33   | 3                           |
| <b>Total operating funding (A)</b>  | <b>5,273</b>                                       | <b>5,379</b>                                       | <b>4,594</b>                |
| <b>APPLICATIONS OF OPERATIONAL FUNDING</b>                                |  |  |                             |
| Payment to staff and suppliers  | 3,524  | 3,598  | 2,467                       |
| Finance costs   | 127  | 131  | 41                          |
| Internal charges and overheads applied                                    | 838  | 856  | 596                         |
| Other operating funding applications                                      | -  | -  | -                           |
| <b>Total applications of operating funding (B)</b>                        | <b>4,489</b>                                       | <b>4,585</b>                                       | <b>3,104</b>                |
| <b>Surplus (deficit) of operating funding (A - B)</b>                     | <b>784</b>   | <b>794</b>   | <b>1,490</b>                |
| <b>SOURCES OF CAPITAL FUNDING</b>   |  |  |                             |
| Subsidies and grants for capital expenditure                              | -  | -  | -                           |
| Development and financial contributions                                   | -  | -  | -                           |
| Increase (decrease) in debt   | (147)  | (150)  | -                           |
| Gross proceeds from sale of assets  | -  | -  | (4)                         |
| Lump sum contributions  | -  | -  | -                           |
| Other dedicated capital funding   | -  | -  | -                           |
| <b>Total sources of capital funding (C)</b>                               | <b>(147)</b>                                       | <b>(150)</b>                                       | <b>(4)</b>                  |
| <b>APPLICATIONS OF CAPITAL FUNDING</b>                                    |  |  |                             |
| Capital expenditure   |  |  |                             |
| - to meet additional demand   | -  | -  | -                           |
| - to improve the level of service   | -  | -  | -                           |
| - to replace existing assets  | 485  | 448  | 594                         |
| Increase (decrease) in reserves   | 152  | 196  | 892                         |
| Increase (decrease) in investments  | -  | -  | -                           |
| <b>Total applications of capital funding (D)</b>                          | <b>637</b>   | <b>644</b>   | <b>1,486</b>                |
| <b>Surplus (deficit) of capital funding (C - D)</b>                       | <b>(784)</b>                                       | <b>(794)</b>                                       | <b>(1,490)</b>              |
| <b>FUNDING BALANCE ((A - B) + (C - D))</b>                                | <b>-</b>   | <b>-</b>   | <b>-</b>                    |

### FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2020/21 budgets prepared as part of the 2018 - 2028 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 2020/21 Annual Plan.



# Parks and Cemeteries

## What we have done

The Parks and Cemeteries Activity provided settings and venues for recreation and leisure activities within the Invercargill area and also provided burial and cremation services. Trees and open space enhance the

amenity of the City, making it a pleasant place to live and attractive to visitors. The Parks and Cemeteries Activity did this by managing 3,309 hectares, comprising of 160 parks and cemeteries.

## What we agreed with the Community

| Community Outcome             | Council's Role  | How the Activity Contributes   | Customer Level of Service   |
|-------------------------------|---|--|---|
| Enhance our City              | Healthy and active residents utilise space, including green space, throughout the City.               | Parks and Cemeteries encourage residents and visitors to our green spaces of the City.   | Visitor numbers through target parks and reserves locations are monitored annually.   |
| Preserve its character        | Our natural and existing points of difference are celebrated.   | Parks and Cemeteries are managed in such a way as to protect important natural habitats, scenic landscapes and other environmental features. | Improved production of eco-friendly pest control to achieve a high level of pest control.                                       |
| Embrace innovation and change | Invercargill has the 'wow factor' with the right facilities and events to enjoy.                      | Parks and Cemeteries enhance the aesthetic value of the City and usability of reserve land.  | Queens Park is recognised nationally as a "Garden of National Significance".  |
|                               | Residents of, as well as visitors to, Invercargill give positive feedback and have great experiences. |  | Requests for service and reports of damage on Parks and Cemeteries (excluding monuments) are actioned within four working days. |
|                               |   |  | Parks and Cemeteries are safe.  |

## How did we measure up

| Measure   | Target 2020/2021                   | Result 2020/2021  |
|---|------------------------------------|---|
| Queens Park is accredited as a 'Garden of National Significance'                        | Retain Accreditation.              | Achieved<br>(2019/20: Achieved)                             |
| Percentage of requests actioned within four days.                                       | 100%                               | Not Achieved - 78%<br>(2019/20: Achieved)                   |
| Number of justified complaints received relating to safety within Parks and Cemeteries. | 0                                  | Not Achieved - 9<br>(2019/20: Not Achieved -3)              |
| Policies around pest management are included in Reserve Management Plans.               | Policies are reviewed as required. | Achieved<br>(2019/20: Achieved)                             |
| Visitor counters are at access points to monitor users of target reserves.              | Increasing use.                    | Achieved (See details section below)<br>(2019/20: Achieved) |

### The details

78% of requests for service and reports of damage were responded to within four working days. Utilising the Request for Service system for the first time in 2020/2021 means that officers have improved data to benchmark against.

The increase in the number of justified complaints is as a result of improved recording and analysis which provides a basis for service improvement in the future.

Visitor numbers in 2019/2020 were higher as a result of people utilising the parks during Covid-19, although measurement could not take place over the lockdown period. Numbers have increased slightly to 1,026,044 for 2020/2021.





## Capital Works Projects

Capital works having a value exceeding \$100,000 in 2020/21 were:

| Project                  | 2020/2021<br>Proposed (Long-term Plan)<br>\$000 | 2020/2021<br>Actual \$000 |
|--------------------------|---|---------------------------|
| Parks Renewals           | -   | 544                       |
| Parks Plant and Vehicles | -   | 352                       |
| Bluff Boat Ramp          | -   | 108                       |
| Memorial                 | -   | 160                       |
| Play Equipment           | 138   | -                         |
| Crematorium              | 439   | -                         |
| Winter Gardens Structure | 110   | -                         |
| Cemetery Land            | 329   | -                         |

Renewals were over budget as a result of work completed on the Feldwick Gates and Clifton playground. The memorial project is slightly behind schedule but will be completed within the PGF funding window. Covid-19 and related supply chain issues has resulted in an underspend

on parks plant and vehicles. Complexities of the marine environment resulted in delays to the design process for the boat ramp which has resulted in the project starting later than expected.



## Invercargill City Council Funding Impact Statement For 30 June, 2021 for Parks and Cemeteries

|   | Long-Term Plan<br>2018 - 2028<br>2019/20<br>\$'000 | Long-Term Plan<br>2018 - 2028<br>2020/21<br>\$'000 | Actual<br>2020/21<br>\$'000 |
|---|--|--|-----------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                       |  |  |                             |
| General rates, uniform annual general charges, rates penalties            | -  | -  | -                           |
| Targeted rates  | 6,440  | 6,960  | 6,798                       |
| Subsidies and grants for operating purposes                               | 10   | 10   | 741                         |
| Fees and charges  | 1,095  | 1,119  | 1,444                       |
| Internal charges and overheads recovered                                  | 8,359  | 8,543  | 606                         |
| Interest and dividends from investments                                   | -  | -  | 96                          |
| Local authorities fuel tax, fines, infringements, fees and other receipts | 1,111  | 1,136  | 102                         |
| <b>Total operating funding (A)</b>  | <b>17,015</b>                                      | <b>17,768</b>                                      | <b>9,787</b>                |
| <b>APPLICATIONS OF OPERATIONAL FUNDING</b>                                |  |  |                             |
| Payment to staff and suppliers  | 7,354  | 7,554  | 7,504                       |
| Finance costs   | 59   | 113  | 3                           |
| Internal charges and overheads applied                                    | 8,359  | 8,543  | 1,375                       |
| Other operating funding applications                                      | -  | -  | -                           |
| <b>Total applications of operating funding (B)</b>                        | <b>15,772</b>                                      | <b>16,210</b>                                      | <b>8,883</b>                |
| <b>Surplus (deficit) of operating funding (A - B)</b>                     | <b>1,243</b>                                       | <b>1,558</b>                                       | <b>904</b>                  |
| <b>SOURCES OF CAPITAL FUNDING</b>   |  |  |                             |
| Subsidies and grants for capital expenditure                              | -  | -  | -                           |
| Development and financial contributions                                   | -  | -  | -                           |
| Increase (decrease) in debt   | 1,642  | 111  | -                           |
| Gross proceeds from sale of assets  | 57   | 58   | 58                          |
| Lump sum contributions  | -  | -  | -                           |
| Other dedicated capital funding   | -  | -  | -                           |
| <b>Total sources of capital funding (C)</b>                               | <b>1,699</b>                                       | <b>169</b>   | <b>58</b>                   |
| <b>APPLICATIONS OF CAPITAL FUNDING</b>                                    |  |  |                             |
| Capital expenditure   |  |  |                             |
| - to meet additional demand   | 172  | 537  | -                           |
| - to improve the level of service   | -  | -  | -                           |
| - to replace existing assets  | 2,755  | 1,495  | 1,215                       |
| Increase (decrease) in reserves   | 15   | (305)  | (253)                       |
| Increase (decrease) in investments  | -  | -  | -                           |
| <b>Total applications of capital funding (D)</b>                          | <b>2,942</b>                                       | <b>1,727</b>                                       | <b>963</b>                  |
| <b>Surplus (deficit) of capital funding (C - D)</b>                       | <b>(1,243)</b>                                     | <b>(1,558)</b>                                     | <b>(904)</b>                |
| <b>FUNDING BALANCE ((A - B) + (C - D))</b>                                | <b>-</b>   | <b>-</b>   | <b>-</b>                    |

### FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2020/21 budgets prepared as part of the 2018 - 2028 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 2020/21 Annual Plan.

# Pools



## What we have done

The Pools Activity provided aquatic facilities for the health, wellbeing and enjoyment of the community and provided a place where people can learn to swim

and learn water safety. The facilities also enabled a range of water sports to be practiced and enjoyed and attracted events to the city.

## What we agreed with the Community

| Community Outcome             | Council's Role  | How the Activity Contributes  | Customer Level of Service  |
|-------------------------------|---|---|--|
| Enhance our City              | Healthy and active residents utilise space, including green space, throughout the city.     | The Pools Activity provides a safe, fun environment where people can enjoy a diverse range of sport, recreation and leisure opportunities.                          | Splash Palace is affordable and well utilised.                     |
| Preserve its character        | The building blocks for a safe, friendly city is provided for all members of the community. | The Pools Activity provides a range of learn-to-swim, fitness and other water based learning and recreation activities that cater for all members of the community. |  |
|                               | Strong, collaborative leadership of the City is demonstrated.                               | 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. |
| Embrace innovation and change | Visitors to Invercargill give positive feedback and have great experiences.                 | The Pools Activity provides the only 50 metre swimming pool and hydroslide in the Southland region.   | Splash Palace is affordable and well utilised.                     |
|                               | Invercargill has the 'wow factor' with the right facilities and events to enjoy.            | The Pools Activity offers a high quality facility in which tournaments and championships are hosted.  |  |

## How did we measure up

| Measure   | Target 2020/2021 | Result 2020/2021                                |
|---|------------------|---|
| Number of pool visits per head of Invercargill City population                                    | >6.5             | Achieved - 6.7<br>(2019/20: Achieved - 6.7)     |
| Percentage of Swim School customers who rate their experience as good or very good when surveyed. | 85%              | Not Achieved - 68%<br>(2019/20: Achieved - 87%) |
| Time when a minimum of four 25 metre public lanes are available for swimming.                     | 90%              | Achieved - 99%<br>(2019/20: Achieved - 94%)     |

## The details

The Invercargill population has increased to 55,900 (2018 census) from 51,697. As a result the swim per head number reduced but we still achieved the target.

For the first time past members were included in the survey which increased the number of responses from 57 to 187. While this has meant the target was not achieved it gives Council a better understanding of the reason people leave the swim school.

## What else have we done

The new hydroslides officially opened on the 19 April 2021. For the period 19 April to 30 June we had 14,883 hydroslide admissions.

## Invercargill City Council Funding Impact Statement For 30 June, 2021 for Pools



|   | Long-Term Plan<br>2018 - 2028<br>2019/20<br>\$'000 | Long-Term Plan<br>2018 - 2028<br>2020/21<br>\$'000 | Actual<br>2020/21<br>\$'000 |
|---|--|--|-----------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                       |  |  |                             |
| General rates, uniform annual general charges, rates penalties            | -  | -  | -                           |
| Targeted rates  | 2,296  | 2,420  | 2,604                       |
| Subsidies and grants for operating purposes                               | 161  | 165  | 171                         |
| Fees and charges  | 1,118  | 1,143  | 681                         |
| Internal charges and overheads recovered                                  | 1,995  | 2,114  | 61                          |
| Interest and dividends from investments                                   | -  | -  | 3                           |
| Local authorities fuel tax, fines, infringements, fees and other receipts | 1,013  | 1,032  | 1,081                       |
| <b>Total operating funding (A)</b>  | <b>6,583</b>                                       | <b>6,874</b>                                       | <b>4,601</b>                |
| <b>APPLICATIONS OF OPERATIONAL FUNDING</b>                                |  |  |                             |
| Payment to staff and suppliers  | 3,907  | 3,990  | 3,225                       |
| Finance costs   | 295  | 326  | 121                         |
| Internal charges and overheads applied                                    | 1,995  | 2,114  | 696                         |
| Other operating funding applications                                      | -  | -  | -                           |
| <b>Total applications of operating funding (B)</b>                        | <b>6,197</b>                                       | <b>6,430</b>                                       | <b>4,042</b>                |
| <b>Surplus (deficit) of operating funding (A - B)</b>                     | <b>386</b>   | <b>444</b>   | <b>559</b>                  |
| <b>SOURCES OF CAPITAL FUNDING</b>   |  |  |                             |
| Subsidies and grants for capital expenditure                              | -  | -  | -                           |
| Development and financial contributions                                   | -  | -  | -                           |
| Increase (decrease) in debt   | 300  | (234)  | -                           |
| Gross proceeds from sale of assets  | -  | -  | -                           |
| Lump sum contributions  | -  | -  | -                           |
| Other dedicated capital funding   | -  | -  | -                           |
| <b>Total sources of capital funding (C)</b>                               | <b>300</b>   | <b>(234)</b>                                       | <b>-</b>                    |
| <b>APPLICATIONS OF CAPITAL FUNDING</b>                                    |  |  |                             |
| Capital expenditure   |  |  |                             |
| - to meet additional demand   | -  | -  | -                           |
| - to improve the level of service   | -  | -  | -                           |
| - to replace existing assets  | 555  | 31   | 1,766                       |
| Increase (decrease) in reserves   | 131  | 179  | (1,207)                     |
| Increase (decrease) in investments  | -  | -  | -                           |
| <b>Total applications of capital funding (D)</b>                          | <b>686</b>   | <b>210</b>   | <b>559</b>                  |
| <b>Surplus (deficit) of capital funding (C - D)</b>                       | <b>(386)</b>                                       | <b>(444)</b>                                       | <b>(559)</b>                |
| <b>FUNDING BALANCE ((A - B) + (C - D))</b>                                | <b>-</b>   | <b>-</b>   | <b>-</b>                    |

### FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2020/21 budgets prepared as part of the 2018 - 2028 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 2020/21 Annual Plan.

# Public Toilets



## What we have done

The Public Toilets Activity provided and managed facilities so that the public has access to clean, safe and accessible toilets. It did this by providing public toilet facilities in the City Centre, suburbs and Bluff.

## What we agreed with the Community

| Community Outcome      | Council's Role  | How the Activity Contributes  | Customer Level of Service   |
|------------------------|---|---|-----------------------------|
| Preserve its character | The building blocks, including water, sanitation and roading, for a safe, friendly city is provided for all members of the community. | The facilities are safe to use, accessible for those with disabilities and well maintained. | The facilities meet demand. |

## How did we measure up

| Measure   | Target 2020/2021 | Result 2020/2021                                 |
|---|------------------|--|
| Public toilets are operational 95% of open hours, 24 hours per day. | 95%              | Achieved - 95%<br>(2019/20 - Not Achieved - 94%) |

## The details

The operation of toilets was negatively effected in the third quarter by long delays in receiving replacement parts. This led to the Bluff Service Centre toilet being closed for

12 days, Glengarry for seven days, the carpark toilet for 13 days and Don St toilet for 10 days. Nevertheless the target was still achieved.

## Invercargill City Council Funding Impact Statement For 30 June, 2021 for Public Toilets



|   | Long-Term Plan<br>2018 - 2028<br>2019/20<br>\$'000 | Long-Term Plan<br>2018 - 2028<br>2020/21<br>\$'000 | Actual<br>2020/21<br>\$'000 |
|---|--|--|-----------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                       |  |  |                             |
| General rates, uniform annual general charges, rates penalties            | 395  | 404  | 179                         |
| Targeted rates  | -  | -  | -                           |
| Subsidies and grants for operating purposes                               | -  | -  | -                           |
| Fees and charges  | -  | -  | 1                           |
| Internal charges and overheads recovered                                  | -  | -  | -                           |
| Interest and dividends from investments                                   | -  | -  | -                           |
| Local authorities fuel tax, fines, infringements, fees and other receipts | -  | -  | -                           |
| <b>Total operating funding (A)</b>  | <b>395</b>   | <b>404</b>   | <b>180</b>                  |
| <b>APPLICATIONS OF OPERATIONAL FUNDING</b>                                |  |  |                             |
| Payment to staff and suppliers  | 319  | 326  | 424                         |
| Finance costs   | 19   | 20   | -                           |
| Internal charges and overheads applied                                    | -  | -  | 62                          |
| Other operating funding applications                                      | -  | -  | -                           |
| <b>Total applications of operating funding (B)</b>                        | <b>338</b>   | <b>346</b>   | <b>486</b>                  |
| <b>Surplus (deficit) of operating funding (A - B)</b>                     | <b>57</b>  | <b>58</b>  | <b>(306)</b>                |
| <b>SOURCES OF CAPITAL FUNDING</b>   |  |  |                             |
| Subsidies and grants for capital expenditure                              | -  | -  | -                           |
| Development and financial contributions                                   | -  | -  | -                           |
| Increase (decrease) in debt   | (27)   | (28)   | -                           |
| Gross proceeds from sale of assets  | -  | -  | -                           |
| Lump sum contributions  | -  | -  | -                           |
| Other dedicated capital funding   | -  | -  | -                           |
| <b>Total sources of capital funding (C)</b>                               | <b>(27)</b>  | <b>(28)</b>  | <b>-</b>                    |
| <b>APPLICATIONS OF CAPITAL FUNDING</b>                                    |  |  |                             |
| Capital expenditure   |  |  |                             |
| - to meet additional demand   | -  | -  | -                           |
| - to improve the level of service   | -  | -  | 31                          |
| - to replace existing assets  | -  | -  | -                           |
| Increase (decrease) in reserves   | 30   | 30   | (337)                       |
| Increase (decrease) in investments  | -  | -  | -                           |
| <b>Total applications of capital funding (D)</b>                          | <b>30</b>  | <b>30</b>  | <b>(306)</b>                |
| <b>Surplus (deficit) of capital funding (C - D)</b>                       | <b>(57)</b>  | <b>(58)</b>  | <b>306</b>                  |
| <b>FUNDING BALANCE ((A - B) + (C - D))</b>                                | <b>-</b>   | <b>-</b>   | <b>-</b>                    |

### FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2020/21 budgets prepared as part of the 2018 - 2028 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 2020/21 Annual Plan.

# Public Transport



## What we have done

The Public Transport Activity managed regional public transport for Southland under its delegation from Environment Southland. The Public Transport Activity included the bus service and the discounted travel taxi

or private hire voucher system provided under the Total Mobility Scheme. By providing public transport, Council ensured that people have a choice for how they access work, education, social and health facilities.

## What we agreed with the Community

| Community Outcome | Council's Role  | How the Activity Contributes  | Customer Level of Service  |
|-------------------|---|---|--|
| Enhance our City  | Invercargill's economy continues to grow and diversify.                                 | Public Transport ensures that a quality public transport service is available and affordable for people to travel to work and education centres.                                      | Bus routes are convenient.   |
|                   | Healthy and active residents utilise space, including green space, throughout the City. | Public Transport ensures that a quality public transport service is available and affordable for people to travel to recreational facilities.   | The bus service is well utilised.  |
|                   | Invercargill's areas are bustling with people, activities and culture.                  | Public Transport provides the Total Mobility service that is subsidised transport for people who are unable to use the bus service due to physical or mental impairment or condition. | Public Transport services are provided for all members of the community. |



## How did we measure up

| Measure   | Target 2020/2021                       | Result 2020/2021  |
|---|--|---|
| Passenger numbers are increasing.   | No decline.                            | Not Achieved - 145,586<br>(2019/20: Not Achieved - 148,349) |
| Percentage of passengers satisfied with the level of fares.                             | 82%                                    | Not Achieved - 80%<br>(2019/20: Achieved - 88%)             |
| Percentage of passengers that are satisfied that the fare system is easy to understand. | 82%                                    | Not Achieved - 80%<br>(2019/20: Achieved - 84%)             |
| Council administers and supports the Total Mobility Scheme.                             | Total Mobility Scheme is administered. | Achieved<br>(2019/20: Achieved)                             |

## The details

Passenger numbers have continued to decline slightly. New bus routes were launched in June 2021 and it is hoped that this will increase the usage of the service.

80% were satisfied in the fare prices against a target of 82%. It should be noted 6.5% did not answer this question.

80% were satisfied that the fare system was easy to understand against a target of 82%.

The Total Mobility Scheme continues to be provided to the community.

## Invercargill City Council Funding Impact Statement For 30 June, 2021 for Public Transport



|   | Long-Term Plan<br>2018 - 2028<br>2019/20<br>\$'000 | Long-Term Plan<br>2018 - 2028<br>2020/21<br>\$'000 | Actual<br>2020/21<br>\$'000 |
|---|--|--|-----------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                       |  |  |                             |
| General rates, uniform annual general charges, rates penalties            | 239  | 249  | 110                         |
| Targeted rates  | 691  | 686  | 554                         |
| Subsidies and grants for operating purposes                               | 1,346  | 1,227  | 1,274                       |
| Fees and charges  | 272  | 279  | 233                         |
| Internal charges and overheads recovered                                  | -  | -  | -                           |
| Interest and dividends from investments                                   | -  | -  | 4                           |
| Local authorities fuel tax, fines, infringements, fees and other receipts | 49   | 50   | -                           |
| <b>Total operating funding (A)</b>  | <b>2,597</b>                                       | <b>2,491</b>                                       | <b>2,175</b>                |
| <b>APPLICATIONS OF OPERATIONAL FUNDING</b>                                |  |  |                             |
| Payment to staff and suppliers  | 2,216  | 2,389  | 1,837                       |
| Finance costs   | -  | -  | -                           |
| Internal charges and overheads applied                                    | -  | -  | 185                         |
| Other operating funding applications                                      | -  | -  | -                           |
| <b>Total applications of operating funding (B)</b>                        | <b>2,216</b>                                       | <b>2,389</b>                                       | <b>2,022</b>                |
| <b>Surplus (deficit) of operating funding (A - B)</b>                     | <b>381</b>   | <b>102</b>   | <b>153</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>APPLICATIONS OF CAPITAL FUNDING</b>                                    |  |  |                             |
| Capital expenditure   |  |  |                             |
| - to meet additional demand   | -  | -  | -                           |
| - to improve the level of service   | -  | -  | -                           |
| - to replace existing assets  | 381  | 102  | 156                         |
| Increase (decrease) in reserves   | -  | -  | (3)                         |
| Increase (decrease) in investments  | -  | -  | -                           |
| <b>Total applications of capital funding (D)</b>                          | <b>381</b>   | <b>102</b>   | <b>153</b>                  |
| <b>Surplus (deficit) of capital funding (C - D)</b>                       | <b>(381)</b>                                       | <b>(102)</b>                                       | <b>(153)</b>                |
| <b>FUNDING BALANCE ((A - B) + (C - D))</b>                                | <b>-</b>   | <b>-</b>   | <b>-</b>                    |

### FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2020/21 budgets prepared as part of the 2018 - 2028 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 2020/21 Annual Plan.



# Democratic Process

## What we have done

The Democratic Process Activity ensured that the community had the opportunity to be involved in decision-making and understood how the process

works. It also supported elected members and their processes to ensure that decision-making was open, transparent, effective and democratically accountable.

## What we agreed with the Community

| Community Outcome             | Council's Role  | How the Activity Contributes   | Customer Level of Service   |
|-------------------------------|---|--|---|
| Preserve its character        | Strong, collaborative leadership of the City is demonstrated.   | 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. |
| Embrace innovation and change | Residents of, as well as visitors to, Invercargill give positive feedback and have great experiences. | The Democratic Process Activity provides opportunities for the community to share its views with Council.  | The community is well informed about and contributes to Council's plans and progress.             |

## How did we measure up

| Measure  | Target 2020/2021               | Result 2020/2021   |
|--|--------------------------------|--|
| Percentage of residents who provide a rating of satisfied or greater with the opportunities Council provides for community involvement in decision making. | 50%                            | Achieved - 52%<br>(2019/20: N/A - Survey was not undertaken)   |
| Alternative methods of communicating to, and receiving information from, the community are utilised.   | Alternative method introduced. | Achieved - A new interactive website was utilized over the Long-term Plan preengagement period<br>(2019/20: Achieved - Strategy and Policy email newsletter established) |

## The details

A new interactive website was utilised over the Long-term Plan preengagement period.

The 2020 residents survey asked if residents were satisfied with corporate planning - 52% of survey

respondents agreed it was essential and 71% were satisfied with the current level of service based on the current level of funding.

## Invercargill City Council Funding Impact Statement For 30 June, 2021 for Democratic Process



|   | Long-Term Plan<br>2018 - 2028<br>2019/20<br>\$'000 | Long-Term Plan<br>2018 - 2028<br>2020/21<br>\$'000 | Actual<br>2020/21<br>\$'000 |
|---|--|--|-----------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                       |  |  |                             |
| General rates, uniform annual general charges, rates penalties            | 3,364  | 3,459  | 2,103                       |
| Targeted rates  | 74   | 75   | 79                          |
| Subsidies and grants for operating purposes                               | -  | -  | 44                          |
| Fees and charges  | -  | -  | 5                           |
| Internal charges and overheads recovered                                  | 686  | 697  | 209                         |
| Interest and dividends from investments                                   | -  | -  | 3                           |
| Local authorities fuel tax, fines, infringements, fees and other receipts | 8  | 8  | 31                          |
| <b>Total operating funding (A)</b>  | <b>4,132</b>                                       | <b>4,239</b>                                       | <b>2,474</b>                |
| <b>APPLICATIONS OF OPERATIONAL FUNDING</b>                                |  |  |                             |
| Payment to staff and suppliers  | 3,324  | 3,623  | 4,036                       |
| Finance costs   | -  | -  | -                           |
| Internal charges and overheads applied                                    | 686  | 697  | 611                         |
| Other operating funding applications                                      | -  | -  | -                           |
| <b>Total applications of operating funding (B)</b>                        | <b>4,010</b>                                       | <b>4,320</b>                                       | <b>4,647</b>                |
| <b>Surplus (deficit) of operating funding (A - B)</b>                     | <b>122</b>   | <b>(81)</b>  | <b>(2,173)</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  | -  | 16   | 16                          |
| Lump sum contributions  | -  | -  | -                           |
| Other dedicated capital funding   | -  | -  | -                           |
| <b>Total sources of capital funding (C)</b>                               | <b>-</b>   | <b>16</b>  | <b>16</b>                   |
| <b>APPLICATIONS OF CAPITAL FUNDING</b>                                    |  |  |                             |
| Capital expenditure   |  |  |                             |
| - to meet additional demand   | -  | -  | -                           |
| - to improve the level of service   | -  | -  | -                           |
| - to replace existing assets  | 26   | 78   | 9                           |
| Increase (decrease) in reserves   | 96   | (143)  | (2,166)                     |
| Increase (decrease) in investments  | -  | -  | -                           |
| <b>Total applications of capital funding (D)</b>                          | <b>122</b>   | <b>(65)</b>  | <b>(2,157)</b>              |
| <b>Surplus (deficit) of capital funding (C - D)</b>                       | <b>(122)</b>                                       | <b>81</b>  | <b>2,173</b>                |
| <b>FUNDING BALANCE ((A - B) + (C - D))</b>                                | <b>-</b>   | <b>-</b>   | <b>-</b>                    |

### FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2020/21 budgets prepared as part of the 2018 - 2028 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 2020/21 Annual Plan.



# Investment Property

## What we have done

The Investment Property activity managed investment property owned by the Council by monitoring and reviewing returns achieved on individual investment

properties. Any profit from the Investment Property activity is used to offset rates funding.

## What we agreed with the Community

| Community Outcome | Council's Role  | How the Activity Contributes  | Customer Level of Service   |
|-------------------|---|---|---|
| Enhance our City  | Invercargill's economy continues to grow and diversify. Attract a diverse range of business and industry to Invercargill, targeting business that offers high skills job opportunities. | Investment Property supports appropriate commercial and economic development in the District environs through the acquisition, disposal and / or lease of land and buildings. | A commercial return is received on Endowment and Trading properties (excluding land purchased for strategic purposes and land acquired through rating sales). |

## How did we measure up

| Measure   | Target 2020/2021 | Result 2020/2021                        |
|---|------------------|---|
| Net rate of return is at least equal to current market interest rate throughout the financial year. | Achieved         | Achieved - 6.04%<br>(2019/20: Achieved) |

## The details

The net rate of return was 6.04%, significantly higher than the market interest rate of 2.21%. Low interest rates and increased tenancies within the Don St property have

helped Council achieve returns significantly above the market rate for the 2020/2021 period.

# Invercargill City Council Funding Impact Statement For 30 June, 2021 for Investment Property



|   | Long-Term Plan<br>2018 - 2028<br>2019/20<br>\$'000 | Long-Term Plan<br>2018 - 2028<br>2020/21<br>\$'000 | Actual<br>2020/21<br>\$'000 |
|---|--|--|-----------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                       |  |  |                             |
| General rates, uniform annual general charges, rates penalties            | (255)  | (256)  | -                           |
| Targeted rates  | -  | -  | -                           |
| Subsidies and grants for operating purposes                               | -  | -  | -                           |
| Fees and charges  | 1,543  | 1,574  | 1,444                       |
| Internal charges and overheads recovered                                  | 66   | 67   | -                           |
| Interest and dividends from investments                                   | -  | -  | 173                         |
| Local authorities fuel tax, fines, infringements, fees and other receipts | 952  | 973  | 1,488                       |
| <b>Total operating funding (A)</b>  | <b>2,306</b>                                       | <b>2,358</b>                                       | <b>3,105</b>                |
| <b>APPLICATIONS OF OPERATIONAL FUNDING</b>                                |  |  |                             |
| Payment to staff and suppliers  | 903  | 922  | 2,219                       |
| Finance costs   | 1,039  | 1,121  | 690                         |
| Internal charges and overheads applied                                    | 66   | 67   | 2                           |
| Other operating funding applications                                      | -  | -  | -                           |
| <b>Total applications of operating funding (B)</b>                        | <b>2,008</b>                                       | <b>2,110</b>                                       | <b>2,911</b>                |
| <b>Surplus (deficit) of operating funding (A - B)</b>                     | <b>298</b>   | <b>248</b>   | <b>194</b>                  |
| <b>SOURCES OF CAPITAL FUNDING</b>   |  |  |                             |
| Subsidies and grants for capital expenditure                              | -  | -  | -                           |
| Development and financial contributions                                   | -  | -  | -                           |
| Increase (decrease) in debt   | (410)  | (410)  | -                           |
| Gross proceeds from sale of assets  | -  | -  | 3,335                       |
| Lump sum contributions  | -  | -  | -                           |
| Other dedicated capital funding   | -  | -  | -                           |
| <b>Total sources of capital funding (C)</b>                               | <b>(410)</b>                                       | <b>(410)</b>                                       | <b>3,335</b>                |
| <b>APPLICATIONS OF CAPITAL FUNDING</b>                                    |  |  |                             |
| Capital expenditure   |  |  |                             |
| - to meet additional demand   | -  | -  | -                           |
| - to improve the level of service   | -  | -  | -                           |
| - to replace existing assets  | 71   | 157  | 976                         |
| Increase (decrease) in reserves   | (183)  | (319)  | 2,552                       |
| Increase (decrease) in investments  | -  | -  | -                           |
| <b>Total applications of capital funding (D)</b>                          | <b>(112)</b>                                       | <b>(162)</b>                                       | <b>3,529</b>                |
| <b>Surplus (deficit) of capital funding (C - D)</b>                       | <b>(298)</b>                                       | <b>(248)</b>                                       | <b>(194)</b>                |
| <b>FUNDING BALANCE ((A - B) + (C - D))</b>                                | <b>-</b>   | <b>-</b>   | <b>-</b>                    |

## FUNDING IMPACT STATEMENT ANALYSIS

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# Theatre Services



## What we have done

The Theatre Services Activity provided a quality theatre and associated facilities for hire and was extensively used by local and regional organisations, as well as national and international touring companies.

## What we agreed with the Community

Invercargill Venues and Events Management Limited (a Council Controlled Organisation) previously operated the Civic Theatre until 30 June 2019. Theatre Services are now delivered in-house. This included the hiring of the Theatre to promoters / organisations with additional charges for specialist services.

## How did we measure up

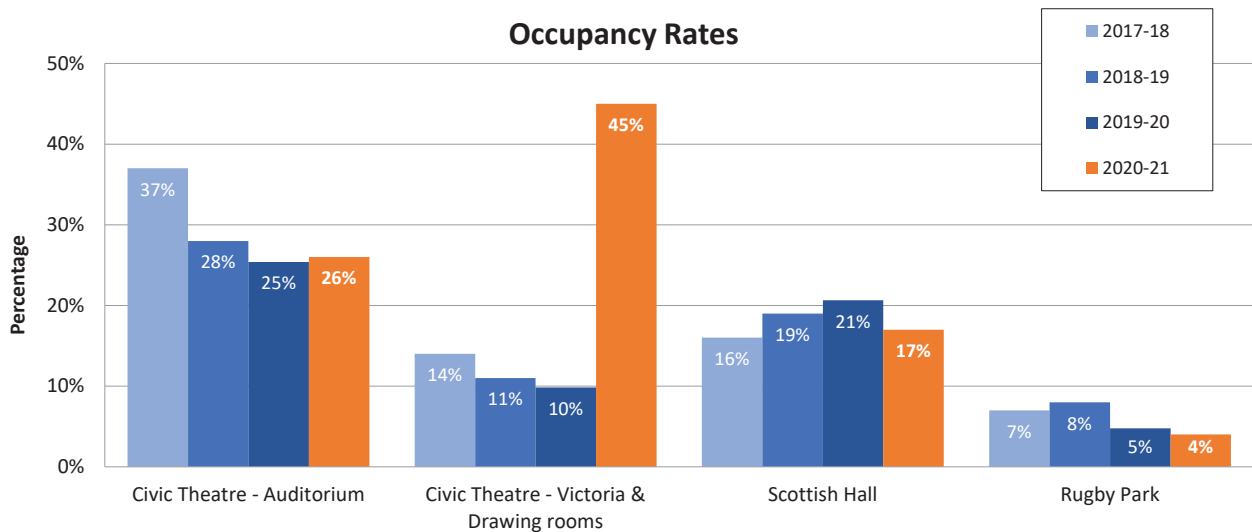
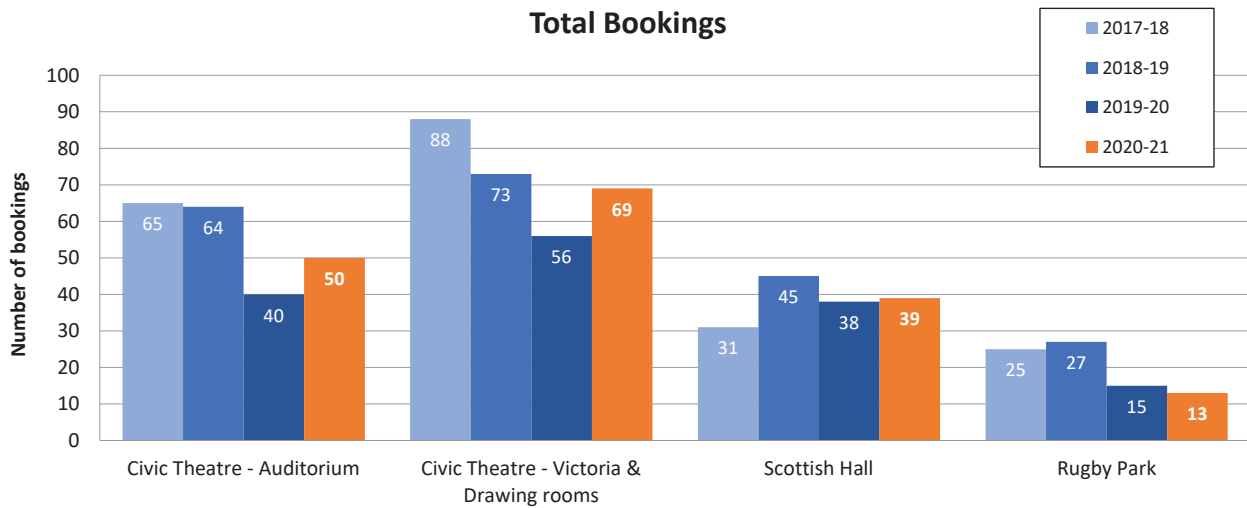
| Measure   | 2020/2021 Targets  | 2020/2021 Result   |
|---|--|--|
| Increasing public awareness and use of the Civic Theatre complex and its range of facilities.                                       | Book at least twelve major shows (nationally or internationally significant) per year for the Civic Theatre. | Achieved - 35 major shows (2019/20: Not achieved - 9 major shows)        |
|   | Increase bookings of the Civic Theatre complex by local groups and performers.                               | Not Achieved - 15 (2019/20: Not achieved - 21)                           |
|   | Increase bookings of the Civic Theatre's meeting spaces.   | Achieved (2019/20: Not achieved)<br>See the graphs on the next page.     |
| Expanding the use and the awareness of the Scottish Hall as a venue for meetings and a range of social and cultural experiences.    | Increase the bookings and use of the Scottish Hall   | Achieved (2019/20: Achieved)<br>See the graphs on the next page.         |
| Expanding the use and the awareness of Rugby Park as a venue for meetings and a range of social, cultural and sporting experiences. | Increase the bookings and use of Rugby Park.   | Not Achieved (2019/20: Not achieved)<br>See the graphs on the next page. |



## The details

The Civic Theatres meeting spaces have been utilised for the Covid-19 vaccination programme - While this is only one booking the spaces have been continually in use.

Rugby Park remains unsafe and as a result the bookings possible have been minimal over the period.



\* Venues were only available for 315 days during 2019-20 due to restrictions in place from New Zealand's Covid-19 alert levels 3 & 4

## Invercargill City Council Funding Impact Statement For 30 June, 2021 for Theatre Services



|   | Long-Term Plan<br>2018 - 2028<br>2019/20<br>\$'000 | Long-Term Plan<br>2018 - 2028<br>2020/21<br>\$'000 | Actual<br>2020/21<br>\$'000 |
|---|--|--|-----------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                       |  |  |                             |
| General rates, uniform annual general charges, rates penalties            | 1,073  | 1,215  | 546                         |
| Targeted rates  | -  | -  | 57                          |
| Subsidies and grants for operating purposes                               | -  | -  | -                           |
| Fees and charges  | -  | -  | 261                         |
| Internal charges and overheads recovered                                  | 1,030  | 1,171  | -                           |
| Interest and dividends from investments                                   | -  | -  | -                           |
| Local authorities fuel tax, fines, infringements, fees and other receipts | -  | -  | 79                          |
| <b>Total operating funding (A)</b>  | <b>2,103</b>                                       | <b>2,386</b>                                       | <b>942</b>                  |
| <b>APPLICATIONS OF OPERATIONAL FUNDING</b>                                |  |  |                             |
| Payment to staff and suppliers  | 416  | 426  | 1,166                       |
| Finance costs   | 164  | 194  | -                           |
| Internal charges and overheads applied                                    | 1,030  | 1,171  | 173                         |
| Other operating funding applications                                      | -  | -  | -                           |
| <b>Total applications of operating funding (B)</b>                        | <b>1,610</b>                                       | <b>1,791</b>                                       | <b>1,338</b>                |
| <b>Surplus (deficit) of operating funding (A - B)</b>                     | <b>493</b>   | <b>595</b>   | <b>(396)</b>                |
| <b>SOURCES OF CAPITAL FUNDING</b>   |  |  |                             |
| Subsidies and grants for capital expenditure                              | -  | -  | -                           |
| Development and financial contributions                                   | -  | -  | -                           |
| Increase (decrease) in debt   | 974  | (482)  | -                           |
| Gross proceeds from sale of assets  | -  | -  | -                           |
| Lump sum contributions  | -  | -  | -                           |
| Other dedicated capital funding   | -  | -  | -                           |
| <b>Total sources of capital funding (C)</b>                               | <b>974</b>   | <b>(482)</b>                                       | <b>-</b>                    |
| <b>APPLICATIONS OF CAPITAL FUNDING</b>                                    |  |  |                             |
| Capital expenditure   |  |  |                             |
| - to meet additional demand   | -  | -  | -                           |
| - to improve the level of service   | -  | -  | -                           |
| - to replace existing assets  | 1,437  | 21   | 41                          |
| Increase (decrease) in reserves   | 30   | 92   | (437)                       |
| Increase (decrease) in investments  | -  | -  | -                           |
| <b>Total applications of capital funding (D)</b>                          | <b>1,467</b>                                       | <b>113</b>   | <b>(396)</b>                |
| <b>Surplus (deficit) of capital funding (C - D)</b>                       | <b>(493)</b>                                       | <b>(595)</b>                                       | <b>396</b>                  |
| <b>FUNDING BALANCE ((A - B) + (C - D))</b>                                | <b>-</b>   | <b>-</b>   | <b>-</b>                    |

### FUNDING IMPACT STATEMENT ANALYSIS

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# 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 wellbeing.

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

| Entity   | Contribution toward the Specialised Service Provided  | Actual level of financial support 2020/2021<br>\$ |
|--|---|---|
| Bluff Maritime Museum Trust                      | Operation of the Bluff Maritime Museum.   | 20,000  |
| Bluff Pool Trust                                 | Operation of the Bluff Community Pool.  | 180,000   |
| Emergency Management Southland                   | Delivery of Civil Defence and Emergency Management.   | 337,000   |
| Environment Southland                            | Contribution toward the Invercargill – Bluff Walkway.   | 50,000  |
| Facilities Maintenance Fund                      | Contribution to the ongoing maintenance of Council owned regional facilities utilised by community groups and sports clubs. | -   |
| Invercargill Public Art Gallery Trust            | Operation and care of the extensive collection.   | 220,000   |
| Southland Indoor Leisure Centre Charitable Trust | Operation and Maintenance of Stadium Southland  | 700,000   |
| Southland Museum and Art Gallery Trust           | Operation of the Southland Museum and Art Gallery   | 996,998   |
| Southland Regional Heritage Committee            | Preserving the Regional Heritage of Southland.  | 955,596   |
| Southland Youth One Stop Shop Trust              | Contribution toward building rental.  | 27,000  |
| Great South                                      | Provision of destination marketing and economic development initiatives for the Southland region.                           | 1,638,464   |
| Southland Warm Homes Trust                       | Provide subsidies on Healthy Homes initiatives for citizens   | 50,000  |

Alongside the contracts above, Council also provides Community Grants and Event Funding. These funds acknowledge the Council’s awareness that it is not always best placed to deliver projects within the

community, and that through financial assistance Council can assist the wider community to be a catalyst for positive change.

The grants available and level of financial contribution provided from each is outlined below.

| Fund             | Amount available 2020/2021<br>\$ | Amount allocated 2020/2021<br>\$ |
|------------------|----------------------------------|----------------------------------|
| Community Grants | 376,409                          | 217,085                          |

The Community Wellbeing Fund was established in November 2020, replacing the Community, Neighbourhood Development Events and Iconic Events funds.

\$123,591 had already been allocated to multi-year projects leaving \$376,409 available for the 2020/2021 period.

Thirty-five projects were allocated funding, an increase on 26 projects funded under the previous four funds in 2019/2020.

## Invercargill City Council Funding Impact Statement For 30 June, 2021 for Specialised Community Services

Excluding Venture Southland and Southland Regional Heritage Committee

|   | Long-Term Plan<br>2018 - 2028 | Long-Term Plan<br>2018 - 2028 | Actual       |
|---|-------------------------------|-------------------------------|--------------|
|   | 2019/20                       | 2020/21                       | 2020/21      |
|   | \$'000                        | \$'000                        | \$'000       |
| <b>SOURCES OF OPERATING FUNDING</b>                                       |                               |                               |              |
| General rates, uniform annual general charges, rates penalties            | 3,052                         | 3,090                         | 2,581        |
| Targeted rates  | 253                           | 255                           | 217          |
| Subsidies and grants for operating purposes                               | -                             | -                             | -            |
| Fees and charges  | -                             | -                             | -            |
| Internal charges and overheads recovered                                  | 138                           | 141                           | -            |
| Interest and dividends from investments                                   | -                             | -                             | -            |
| Local authorities fuel tax, fines, infringements, fees and other receipts | 202                           | 202                           | -            |
| <b>Total operating funding (A)</b>  | <b>3,645</b>                  | <b>3,688</b>                  | <b>2,798</b> |
| <b>APPLICATIONS OF OPERATIONAL FUNDING</b>                                |                               |                               |              |
| Payment to staff and suppliers  | 3,336                         | 3,371                         | 2,748        |
| Finance costs   | 82                            | 86                            | -            |
| Internal charges and overheads applied                                    | 138                           | 141                           | -            |
| Other operating funding applications                                      | -                             | -                             | -            |
| <b>Total applications of operating funding (B)</b>                        | <b>3,556</b>                  | <b>3,598</b>                  | <b>2,748</b> |
| <b>Surplus (deficit) of operating funding (A - B)</b>                     | <b>89</b>                     | <b>90</b>                     | <b>50</b>    |
| <b>SOURCES OF CAPITAL FUNDING</b>   |                               |                               |              |
| Subsidies and grants for capital expenditure                              | -                             | -                             | -            |
| Development and financial contributions                                   | -                             | -                             | -            |
| Increase (decrease) in debt   | (84)                          | (86)                          | -            |
| Gross proceeds from sale of assets  | -                             | -                             | -            |
| Lump sum contributions  | -                             | -                             | -            |
| Other dedicated capital funding   | -                             | -                             | -            |
| <b>Total sources of capital funding (C)</b>                               | <b>(84)</b>                   | <b>(86)</b>                   | <b>-</b>     |
| <b>APPLICATIONS OF CAPITAL FUNDING</b>                                    |                               |                               |              |
| Capital expenditure   |                               |                               |              |
| - to meet additional demand   | -                             | -                             | -            |
| - to improve the level of service   | -                             | -                             | -            |
| - to replace existing assets  | 34                            | -                             | -            |
| Increase (decrease) in reserves   | (29)                          | 4                             | 50           |
| Increase (decrease) in investments  | -                             | -                             | -            |
| <b>Total applications of capital funding (D)</b>                          | <b>5</b>                      | <b>4</b>                      | <b>50</b>    |
| <b>Surplus (deficit) of capital funding (C - D)</b>                       | <b>(89)</b>                   | <b>(90)</b>                   | <b>(50)</b>  |
| <b>FUNDING BALANCE ((A - B) + (C - D))</b>                                | <b>-</b>                      | <b>-</b>                      | <b>-</b>     |

### FUNDING IMPACT STATEMENT ANALYSIS

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## Invercargill City Council Funding Impact Statement For 30 June, 2021 for Southland Regional Heritage Committee



|   | Long-Term Plan<br>2018 - 2028<br>2019/20<br>\$'000 | Long-Term Plan<br>2018 - 2028<br>2020/21<br>\$'000 | Actual<br>2020/21<br>\$'000 |
|---|--|--|-----------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                       |  |  |                             |
| General rates, uniform annual general charges, rates penalties            | -  | -  | -                           |
| Targeted rates  | 902  | 944  | 946                         |
| Subsidies and grants for operating purposes                               | -  | -  | -                           |
| Fees and charges  | -  | -  | -                           |
| Internal charges and overheads recovered                                  | -  | -  | -                           |
| Interest and dividends from investments                                   | -  | -  | 4                           |
| Local authorities fuel tax, fines, infringements, fees and other receipts | 559  | 492  | 565                         |
| <b>Total operating funding (A)</b>  | <b>1,461</b>                                       | <b>1,436</b>                                       | <b>1,515</b>                |
| <b>APPLICATIONS OF OPERATIONAL FUNDING</b>                                |  |  |                             |
| Payment to staff and suppliers  | 1,461  | 1,436  | 1,591                       |
| Finance costs   | -  | -  | -                           |
| Internal charges and overheads applied                                    | -  | -  | -                           |
| Other operating funding applications                                      | -  | -  | -                           |
| <b>Total applications of operating funding (B)</b>                        | <b>1,461</b>                                       | <b>1,436</b>                                       | <b>1,591</b>                |
| <b>Surplus (deficit) of operating funding (A - B)</b>                     | <b>-</b>   | <b>-</b>   | <b>(77)</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>APPLICATIONS OF CAPITAL FUNDING</b>                                    |  |  |                             |
| Capital expenditure   |  |  |                             |
| - to meet additional demand   | -  | -  | -                           |
| - to improve the level of service   | -  | -  | -                           |
| - to replace existing assets  | -  | -  | -                           |
| Increase (decrease) in reserves   | -  | -  | (77)                        |
| Increase (decrease) in investments  | -  | -  | -                           |
| <b>Total applications of capital funding (D)</b>                          | <b>-</b>   | <b>-</b>   | <b>(77)</b>                 |
| <b>Surplus (deficit) of capital funding (C - D)</b>                       | <b>-</b>   | <b>-</b>   | <b>77</b>                   |
| <b>FUNDING BALANCE ((A - B) + (C - D))</b>                                | <b>-</b>   | <b>-</b>   | <b>-</b>                    |

The above figures include the Invercargill City Council share of Southland Regional Heritage Committee.

### FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2020/21 budgets prepared as part of the 2018 - 2028 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 2020/21 Annual Plan.

## Invercargill City Council Funding Impact Statement For 30 June, 2021 for Enterprise

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

|   | <b>Long-Term Plan<br/>2018 - 2028</b> | <b>Long-Term Plan<br/>2018 - 2028</b> | <b>Actual</b>  |
|---|---------------------------------------|---------------------------------------|----------------|
|   | <b>2019/20</b>                        | <b>2020/21</b>                        | <b>2020/21</b> |
|   | <b>\$'000</b>                         | <b>\$'000</b>                         | <b>\$'000</b>  |
| <b>SOURCES OF OPERATING FUNDING</b>                                       |                                       |                                       |                |
| General rates, uniform annual general charges, rates penalties            | 2,059                                 | 2,110                                 | 909            |
| 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, infringements, fees and other receipts | 1,058                                 | 510                                   | -              |
| <b>Total operating funding (A)</b>  | <b>3,117</b>                          | <b>2,620</b>                          | <b>909</b>     |
| <b>APPLICATIONS OF OPERATIONAL FUNDING</b>                                |                                       |                                       |                |
| Payment to staff and suppliers  | 3,117                                 | 2,620                                 | 1,710          |
| Finance costs   | -                                     | -                                     | -              |
| Internal charges and overheads applied                                    | -                                     | -                                     | -              |
| Other operating funding applications                                      | -                                     | -                                     | -              |
| <b>Total applications of operating funding (B)</b>                        | <b>3,117</b>                          | <b>2,620</b>                          | <b>1,710</b>   |
| <b>Surplus (deficit) of operating funding (A - B)</b>                     | <b>-</b>                              | <b>-</b>                              | <b>(801)</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>APPLICATIONS OF CAPITAL FUNDING</b>                                    |                                       |                                       |                |
| Capital expenditure   |                                       |                                       |                |
| - to meet additional demand   | -                                     | -                                     | -              |
| - to improve the level of service   | -                                     | -                                     | -              |
| - to replace existing assets  | -                                     | -                                     | -              |
| Increase (decrease) in reserves   | -                                     | -                                     | (801)          |
| Increase (decrease) in investments  | -                                     | -                                     | -              |
| <b>Total applications of capital funding (D)</b>                          | <b>-</b>                              | <b>-</b>                              | <b>(801)</b>   |
| <b>Surplus (deficit) of capital funding (C - D)</b>                       | <b>-</b>                              | <b>-</b>                              | <b>801</b>     |
| <b>FUNDING BALANCE ((A - B) + (C - D))</b>                                | <b>-</b>                              | <b>-</b>                              | <b>-</b>       |

### FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2020/21 budgets prepared as part of the 2018 - 2028 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 2020/21 Annual Plan.

## Invercargill City Council Funding Impact Statement For 30 June, 2021 for City Centre Revitalisation



|   | Long-Term Plan<br>2018 - 2028<br>2019/20<br>\$'000 | Long-Term Plan<br>2018 - 2028<br>2020/21<br>\$'000 | Actual<br>2020/21<br>\$'000 |
|---|--|--|-----------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                       |  |  |                             |
| General rates, uniform annual general charges, rates penalties            | -  | -  | -                           |
| Targeted rates  | 132  | 137  | 541                         |
| Subsidies and grants for operating purposes                               | -  | -  | -                           |
| Fees and charges  | -  | -  | -                           |
| Internal charges and overheads recovered                                  | -  | -  | -                           |
| Interest and dividends from investments                                   | -  | -  | 30                          |
| Local authorities fuel tax, fines, infringements, fees and other receipts | -  | -  | -                           |
| <b>Total operating funding (A)</b>  | <b>132</b>   | <b>137</b>   | <b>571</b>                  |
| <b>APPLICATIONS OF OPERATIONAL FUNDING</b>                                |  |  |                             |
| Payment to staff and suppliers  | -  | -  | 178                         |
| Finance costs   | 79   | 84   | 573                         |
| Internal charges and overheads applied                                    | -  | -  | -                           |
| Other operating funding applications                                      | -  | -  | -                           |
| <b>Total applications of operating funding (B)</b>                        | <b>79</b>  | <b>84</b>  | <b>751</b>                  |
| <b>Surplus (deficit) of operating funding (A - B)</b>                     | <b>53</b>  | <b>53</b>  | <b>(180)</b>                |
| <b>SOURCES OF CAPITAL FUNDING</b>   |  |  |                             |
| Subsidies and grants for capital expenditure                              | -  | -  | -                           |
| Development and financial contributions                                   | -  | -  | -                           |
| Increase (decrease) in debt   | (53)   | (53)   | -                           |
| Gross proceeds from sale of assets  | -  | -  | -                           |
| Lump sum contributions  | -  | -  | -                           |
| Other dedicated capital funding   | -  | -  | -                           |
| <b>Total sources of capital funding (C)</b>                               | <b>(53)</b>  | <b>(53)</b>  | <b>-</b>                    |
| <b>APPLICATIONS OF CAPITAL FUNDING</b>                                    |  |  |                             |
| Capital expenditure   |  |  |                             |
| - to meet additional demand   | -  | -  | -                           |
| - to improve the level of service   | -  | -  | -                           |
| - to replace existing assets  | -  | -  | 834                         |
| Increase (decrease) in reserves   | -  | -  | (1,014)                     |
| Increase (decrease) in investments  | -  | -  | -                           |
| <b>Total applications of capital funding (D)</b>                          | <b>-</b>   | <b>-</b>   | <b>(180)</b>                |
| <b>Surplus (deficit) of capital funding (C - D)</b>                       | <b>(53)</b>  | <b>(53)</b>  | <b>180</b>                  |
| <b>FUNDING BALANCE ((A - B) + (C - D))</b>                                | <b>-</b>   | <b>-</b>   | <b>-</b>                    |

### FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2020/21 budgets prepared as part of the 2018 - 2028 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 2020/21 Annual Plan.



## Invercargill City Council Funding Impact Statement For 30 June, 2021 for Arts, Creativity and Living Dinosaurs

|   | Long-Term Plan<br>2018 - 2028<br>2019/20<br>\$'000 | Long-Term Plan<br>2018 - 2028<br>2020/21<br>\$'000 | Actual<br>2020/21<br>\$'000 |
|---|--|--|-----------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                       |  |  |                             |
| General rates, uniform annual general charges, rates penalties            | 368  | 238  | -                           |
| Targeted rates  | -  | -  | -                           |
| Subsidies and grants for operating purposes                               | -  | -  | -                           |
| Fees and charges  | -  | 1,387  | -                           |
| Internal charges and overheads recovered                                  | -  | -  | -                           |
| Interest and dividends from investments                                   | -  | -  | -                           |
| Local authorities fuel tax, fines, infringements, fees and other receipts | -  | -  | -                           |
| <b>Total operating funding (A)</b>  | <b>368</b>   | <b>1,625</b>                                       | <b>-</b>                    |
| <b>APPLICATIONS OF OPERATIONAL FUNDING</b>                                |  |  |                             |
| Payment to staff and suppliers  | 200  | 1,117  | -                           |
| Finance costs   | 105  | 245  | -                           |
| Internal charges and overheads applied                                    | -  | -  | -                           |
| Other operating funding applications                                      | -  | -  | -                           |
| <b>Total applications of operating funding (B)</b>                        | <b>305</b>   | <b>1,362</b>                                       | <b>-</b>                    |
| <b>Surplus (deficit) of operating funding (A - B)</b>                     | <b>63</b>  | <b>263</b>   | <b>-</b>                    |
| <b>SOURCES OF CAPITAL FUNDING</b>   |  |  |                             |
| Subsidies and grants for capital expenditure                              | 2,537  | -  | -                           |
| Development and financial contributions                                   | -  | -  | -                           |
| Increase (decrease) in debt   | 3,773  | 937  | -                           |
| Gross proceeds from sale of assets  | -  | -  | -                           |
| Lump sum contributions  | -  | -  | -                           |
| Other dedicated capital funding   | -  | -  | -                           |
| <b>Total sources of capital funding (C)</b>                               | <b>6,310</b>                                       | <b>937</b>   | <b>-</b>                    |
| <b>APPLICATIONS OF CAPITAL FUNDING</b>                                    |  |  |                             |
| Capital expenditure   |  |  |                             |
| - to meet additional demand   | 6,373  | 1,200  | -                           |
| - to improve the level of service   | -  | -  | -                           |
| - to replace existing assets  | -  | -  | -                           |
| Increase (decrease) in reserves   | -  | -  | -                           |
| Increase (decrease) in investments  | -  | -  | -                           |
| <b>Total applications of capital funding (D)</b>                          | <b>6,373</b>                                       | <b>1,200</b>                                       | <b>-</b>                    |
| <b>Surplus (deficit) of capital funding (C - D)</b>                       | <b>(63)</b>  | <b>(263)</b>                                       | <b>-</b>                    |
| <b>FUNDING BALANCE ((A - B) + (C - D))</b>                                | <b>-</b>   | <b>-</b>   | <b>-</b>                    |

### FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2020/21 budgets prepared as part of the 2018 - 2028 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 2020/21 Annual Plan.

## Invercargill City Council Funding Impact Statement For 30 June, 2021 for Non-Significant



|   | Long-Term Plan<br>2018 - 2028<br>2019/20<br>\$'000 | Long-Term Plan<br>2018 - 2028<br>2020/21<br>\$'000 | Actual<br>2020/21<br>\$'000 |
|---|--|--|-----------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                       |  |  |                             |
| General rates, uniform annual general charges, rates penalties            | -  | -  | -                           |
| Targeted rates  | -  | -  | -                           |
| Subsidies and grants for operating purposes                               | -  | -  | 1                           |
| Fees and charges  | -  | -  | 342                         |
| Internal charges and overheads recovered                                  | -  | -  | 10,342                      |
| Interest and dividends from investments                                   | -  | -  | 7,397                       |
| Local authorities fuel tax, fines, infringements, fees and other receipts | -  | -  | 3,174                       |
| <b>Total operating funding (A)</b>  | <b>-</b>   | <b>-</b>   | <b>21,256</b>               |
| <b>APPLICATIONS OF OPERATIONAL FUNDING</b>                                |  |  |                             |
| Payment to staff and suppliers  | -  | -  | 12,339                      |
| Finance costs   | -  | -  | 899                         |
| Internal charges and overheads applied                                    | -  | -  | 2,151                       |
| Other operating funding applications                                      | -  | -  | -                           |
| <b>Total applications of operating funding (B)</b>                        | <b>-</b>   | <b>-</b>   | <b>15,389</b>               |
| <b>Surplus (deficit) of operating funding (A - B)</b>                     | <b>-</b>   | <b>-</b>   | <b>5,867</b>                |
| <b>SOURCES OF CAPITAL FUNDING</b>   |  |  |                             |
| Subsidies and grants for capital expenditure                              | -  | -  | -                           |
| Development and financial contributions                                   | -  | -  | -                           |
| Increase (decrease) in debt   | -  | -  | (36,293)                    |
| Gross proceeds from sale of assets  | -  | -  | 68                          |
| Lump sum contributions  | -  | -  | -                           |
| Other dedicated capital funding   | -  | -  | -                           |
| <b>Total sources of capital funding (C)</b>                               | <b>-</b>   | <b>-</b>   | <b>(36,225)</b>             |
| <b>APPLICATIONS OF CAPITAL FUNDING</b>                                    |  |  |                             |
| Capital expenditure   |  |  |                             |
| - to meet additional demand   | -  | -  | -                           |
| - to improve the level of service   | -  | -  | -                           |
| - to replace existing assets  | -  | -  | 856                         |
| Increase (decrease) in reserves   | -  | -  | (19,972)                    |
| Increase (decrease) in investments  | -  | -  | (11,242)                    |
| <b>Total applications of capital funding (D)</b>                          | <b>-</b>   | <b>-</b>   | <b>(30,358)</b>             |
| <b>Surplus (deficit) of capital funding (C - D)</b>                       | <b>-</b>   | <b>-</b>   | <b>(5,867)</b>              |
| <b>FUNDING BALANCE ((A - B) + (C - D))</b>                                | <b>-</b>   | <b>-</b>   | <b>-</b>                    |

### FUNDING IMPACT STATEMENT ANALYSIS

A variance analysis of the Funding Impact Statements has not been undertaken as we are legislatively required to use the 2020/21 budgets prepared as part of the 2018 - 2028 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 2020/21 Annual Plan.



# INVERCARGILL



# Council Controlled Organisations

Council Controlled Organisations and Council Organisations provide opportunities for councils to provide services and activities. A Council Controlled Organisation is a company or 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.

All figures are GST exclusive unless otherwise stated.

# Council Controlled Organisations

A Council Controlled Trading Organisation is similar, but its main focus is making a profit. 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
- Bluff Maritime Museum Trust
- Invercargill City Charitable Trust
- Southland Regional Development Agency Limited

# Invercargill City Holdings Limited

## How did we measure up

Invercargill City Holdings Limited (ICHL) is wholly owned by the Invercargill City Council. There was no proposal to change the ownership or control of ICHL in 2020/2021.

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

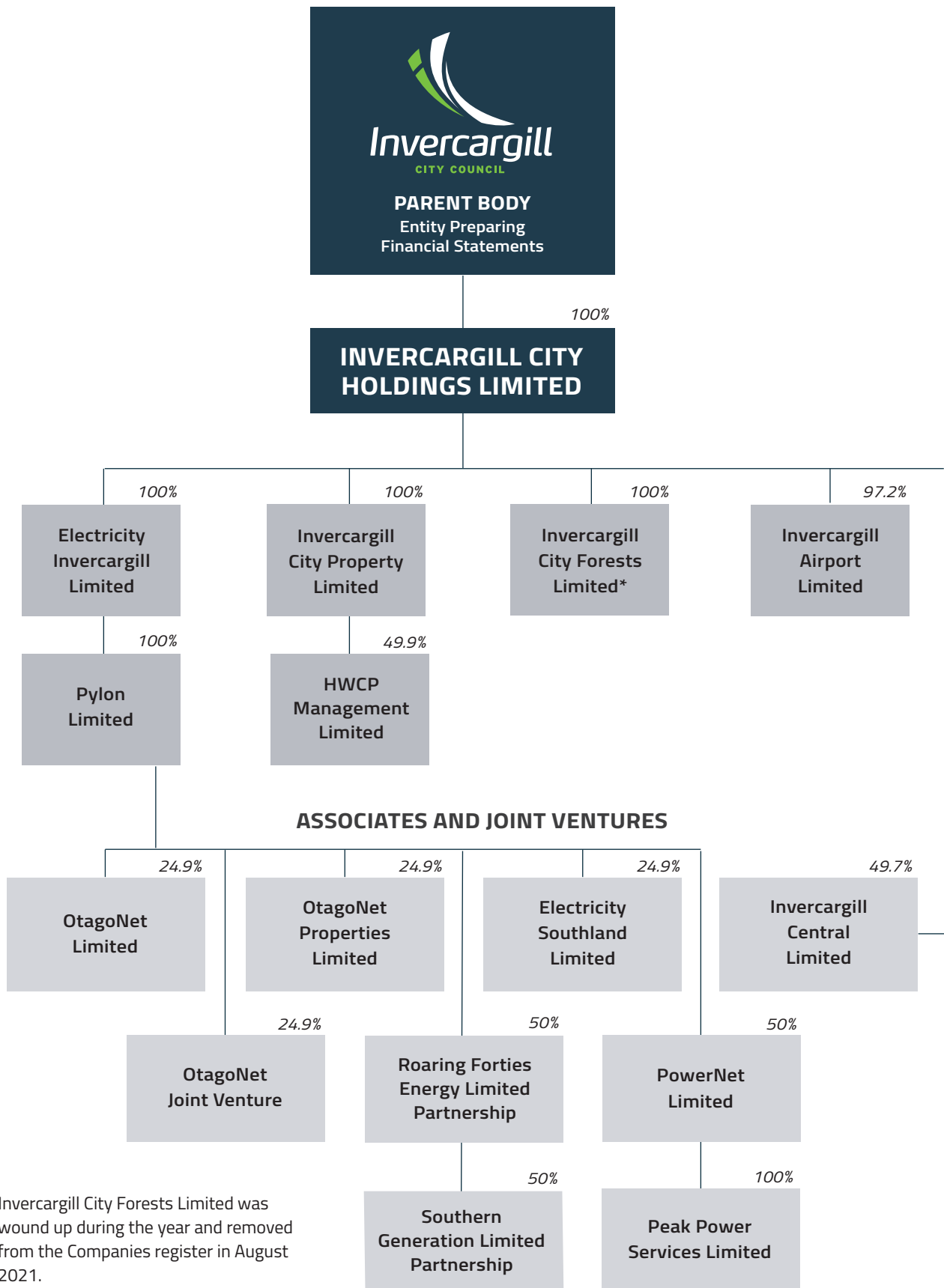
The dividend received from ICHL each year offsets the amount Council needs to raise through rates.

Invercargill City Holdings Limited's Annual Report for the 2020/2021 year is available on its website.

| Financial Performance Targets – Rate of return on equity funds | 2020/2021 Target | 2020/2021 Result          |
|--|------------------|---------------------------|
| Invercargill City Holdings Limited - % Before Tax              | N/A              | N/A<br>(2019/20: 10.42%)  |
| Invercargill City Holdings Limited - % After Tax*              | 6.13%*           | 2.65%<br>(2019/20: 8.75%) |

\*In 2020/2021 the Financial Performance target was changed from Group Rate of return on shareholders fund to commercial investments rate of return on equity. Only the % after tax figures are available for 2020/2021.

# Group Structure for Invercargill City Holdings Ltd



\* Invercargill City Forests Limited was wound up during the year and removed from the Companies register in August 2021.

# Southland Museum & Art Gallery

The Southland Museum and Art Gallery Trust is a Council Controlled Organisation. The Trust and its stakeholders have agreed to undertake a restructure of the Trusts' governance structure. The Council stakeholders are to contribute their views to the board on changes to the trust deed before the board agree the future structure. It has also been agreed to transfer the management of the museum operations, including future museum redevelopments, to the Invercargill City Council. The Trust will continue to operate as the guardians / owners of the collection. These changes are expected to be carried out in the 2021/2022 year.

The Southland Museum and Art Gallery Trust's mission is to preserve and tell the story of Southland – the experience of people and places over time – and inspire Southlanders to explore and understand the world around them.

The Southland Museum and Art Gallery Trust's Annual Report for the 2020/2021 year will be available on the Invercargill City Council's website once Audit New Zealand have completed the annual report audit.

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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. The Bluff Maritime Museum Trust receives funding from the Southland Regional Heritage Committee, Environments 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.

There was no proposal to change the ownership or control of the Bluff Maritime Museum Trust in 2020/2021.

| Measure of Service   | 2020/2021 Target  | 2020/2021 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<br>(2019/2020: Not achieved - as a result of closure required by Covid-19) |



# Invercargill City Charitable Trust

The Invercargill City Charitable Trust was established to promote charitable purposes. The main outputs of the Trust is costs relating to the ownership and maintenance of Rugby Park stadium.

The main outputs of the Trust are for costs incurred in the management of the Trust and costs relating to the ownership and maintenance of Rugby Park Stadium.

The operation of Rugby park Stadium was contracted to Invercargill City Council.

There was no proposal to change the ownership or control of the Invercargill City Charitable Trust in 2020/2021.

| Community Outcome             | Intermediate Outcomes  | Measure of service   | 2020/21 Result   |
|-------------------------------|--|--|--|
| Embrace Innovation and Change | Invercargill has the 'wow factor' with hte right facilities and events to enjoy. | Increase in booking and attendances at Rugby Park          | Bookings and attendance have been negatively impacted by Covid-19. |
| Enhance our City              | Invercargill's business areas are bustling with people, activities and culture.  | Increase in attendance of the Southland Buskers' Festival. | Increase in attendance of the Southland Buskers' Festival.         |

# Southland Regional Development Agency Limited Trading as Great South

Great South was established on 1 July 2019 to embrace the regional development focus and address the challenges indentified in the Southland Regional Development Strategy and build on the foundation laid by Venture Southland.

Great South is tasked with building the future prosperity of Southland and making sure the region is able to compete on both a national and international stage.

In doing so it has been asked to leverage opportunities in the areas of economic and business development, tourism and events. The long-term strategic goals are to grow the population, diversify the economy, grow innovative business and build a skilled workforce.

Great South is a council controlled entity as defined by Section 6 of the Local Government Act 2002.

| Area                          | Performance Measure                                   | 2020/2021 Target   | 2020/2021 Result   |
|-------------------------------|---|--|--|
| Regional Economic Development | Attract investment to the region for improved housing | Support the Southland Housing Action Forum(SHAF) to increase housing stock across the region | 237 houses built (net of demolitions).<br><br>Great South continues to monitor demand for social and emergency housing and provides data to the SHAF coordinator.<br><br>Work began on a Southland Housing report, for release mid 2021. |

| Area  | Performance Measure  | 2020/2021 Target  | 2020/2021 Result  |
|---|--|---|---|
|   | <p>Provide support to businesses and members of the community to insulate themselves against environmental challenges</p>                | <p>Increase number of businesses planning carbon reduction strategies</p> | <p>36 businesses planning carbon reduction strategies. Baseline established during reporting period.</p> <p>Great South developed and delivered a carbon neutral strategy workshop. Four were held, attended by 36 businesses.</p> <p>The Net Zero Southland Report released early in the next financial year includes pathways that will help businesses to develop their carbon reduction strategies.</p>                                     |
| <p><b>Business Development Services</b></p> | <p>Connect skilled migrants with employment opportunities in Southland and support local businesses with their recruitment practices</p> | <p>Increase number of skilled migrants engaged with.</p>                  | <p>228 engaged with directly.</p> <p>Baseline in 2019/20 was 187 skilled migrants engaged with.</p> <p>The Skills Placement Programme engaged directly with 228 newcomers via one-on-one meetings or workshops, resulting in 73 skilled migrants finding employment in Southland. With attendance at workshops included, a total of 459 newcomers looking for employment opportunities and advice have been engaged with since 1 July 2020.</p> |

| Area                                       | Performance Measure   | 2020/2021 Target  | 2020/2021 Result  |
|--|---|---|---|
| <p><b>Regional Tourism Development</b></p> | <p>Champion the Southland Murihiku Destination Strategy</p> | <p>Increase overnight visitation (dependent on the government determining new source of measurement for this)</p> | <p>691,100 guest nights for Fiordland and Southland<br/>Baseline established during reporting period*</p> <p>*Due to changes in MBIE reporting, a comparison with the same period last year is not possible - this information was obtained through the Accommodation Data Program</p> <p>Southland RTO: Total guest nights for the Southland RTO were 404,400. This data represents 55% of all commercial operators in Southland.</p> <p>Fiordland RTO: Total guest nights for the Fiordland RTO were 286,700. This data represents 90% of all commercial operators in Fiordland.</p> <p>Southland Region: AirBnB data shows a 24.2% reduction in booked listing nights, when compared to the same time last year. The exception to this is Rakiura which was up 49.2% on the same period last year.</p> |

| Area                     | Performance Measure                      | 2020/2021 Target                           | 2020/2021 Result   |
|--------------------------|--|--|--|
| Regional Events Delivery | Support the delivery of community events | Provide support to events across Southland | <p>Support provided for 36 destination events</p> <p>Great South is working with 36 destination events identified in the Southland Murihiku Events Strategy, offering networking, educational opportunities, and marketing support.</p> <p>Tools were made available to event organisers to help them run events under Covid levels.</p> <p>High level support was provided for the Burt Munro Challenge, with a focus on extending visitors' length of stay and visitation outside of Invercargill.</p> <p>Cluster marketing campaigns were used to promote smaller events alongside larger regional events, such as the Southland Summer Wheels campaign.</p> <p>Support was given to Hospitality New Zealand Southern Branch for its inaugural Savour the South event</p> |



# INVERCARGILL



# Financial Management

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.
- Statement of Cashflows.
- Notes to the Financial Statements.
- Statement of Accounting Policies.

All figures are GST exclusive unless otherwise stated.

# Financial Statements

## Statement of Financial Position

As at June 30, 2021

|   |          | Council                   | Council                   | Council                   | Group                     | Group Restated            |
|---|----------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|   | Note     | Actual<br>2021<br>(\$000) | Budget<br>2021<br>(\$000) | Actual<br>2020<br>(\$000) | Actual<br>2021<br>(\$000) | Actual<br>2020<br>(\$000) |
| <b>ASSETS</b>                                       |          |                           |                           |                           |                           |                           |
| <b>Current assets</b>                               |          |                           |                           |                           |                           |                           |
| Cash and cash equivalents                           | 9        | 16,673                    | 14,738                    | 26,505                    | 25,896                    | 30,389                    |
| Receivables   | 10       | 11,376                    | 9,372                     | 11,328                    | 14,519                    | 13,764                    |
| Prepayments   |          | 1,063                     | -                         | 461                       | 1,063                     | 647                       |
| Tax receivables                                     |          | -                         | -                         | -                         | 5                         | 1                         |
| Inventories   | 11       | 733                       | 1,681                     | 825                       | 738                       | 833                       |
| Non-current assets held for resale                  | 12       | 9,980                     | -                         | -                         | 9,980                     | 42,437                    |
| Other financial assets                              | 19       | 35,533                    | 83,891                    | 51,193                    | 36,476                    | 37,168                    |
| <b>Total current assets</b>                         |          | <b>75,358</b>             | <b>109,682</b>            | <b>90,312</b>             | <b>88,677</b>             | <b>125,239</b>            |
| <b>Non-current assets</b>                           |          |                           |                           |                           |                           |                           |
| Work in progress                                    | 13,14,16 | 8,692                     | -                         | 5,543                     | 11,539                    | 8,270                     |
| Property, plant and equipment                       | 13       | 838,913                   | 862,222                   | 846,839                   | 973,872                   | 976,900                   |
| Intangible assets                                   | 14       | 2,429                     | 1,669                     | 1,219                     | 2,429                     | 4,414                     |
| Biological assets                                   | 15       | 4,022                     | 3,320                     | 3,618                     | 4,022                     | 3,618                     |
| Investment property                                 | 16       | 28,113                    | 39,332                    | 36,518                    | 33,283                    | 40,718                    |
| Investment in associates and joint ventures         | 17,18    | -                         | -                         | -                         | 137,236                   | 118,251                   |
| Advances to associates and joint ventures           |          | -                         | -                         | -                         | 10,301                    | 10,105                    |
| Investment in CCOs and similar entities             | 19       | 76,569                    | 36,069                    | 61,069                    | -                         | -                         |
| Other financial assets                              | 19       | 2,212                     | -                         | 17,222                    | 2,330                     | 2,340                     |
| Deferred tax assets                                 | 24       | -                         | -                         | -                         | 1,314                     | 6,050                     |
| <b>Total non-current assets</b>                     |          | <b>960,950</b>            | <b>942,612</b>            | <b>972,028</b>            | <b>1,176,326</b>          | <b>1,170,666</b>          |
| <b>TOTAL ASSETS</b>                                 |          | <b>1,036,308</b>          | <b>1,052,294</b>          | <b>1,062,340</b>          | <b>1,265,003</b>          | <b>1,295,905</b>          |
| <b>LIABILITIES</b>                                  |          |                           |                           |                           |                           |                           |
| <b>Current liabilities</b>                          |          |                           |                           |                           |                           |                           |
| Trade and other payables                            | 20       | 20,025                    | 11,956                    | 13,937                    | 24,162                    | 17,758                    |
| Provisions  | 21       | 112                       | 112                       | 112                       | 112                       | 1,112                     |
| Employee benefit liabilities                        | 22       | 2,601                     | 2,160                     | 2,877                     | 2,725                     | 2,977                     |
| Borrowings  | 23       | 10,522                    | 50,005                    | 50,314                    | 95,676                    | 50,361                    |
| Tax payable   |          | -                         | -                         | -                         | 1,310                     | 1,107                     |
| Derivative financial instruments                    |          | -                         | -                         | -                         | 123                       | 175                       |
| <b>Total current liabilities</b>                    |          | <b>33,260</b>             | <b>64,233</b>             | <b>67,240</b>             | <b>124,108</b>            | <b>73,490</b>             |
| <b>Non-current liabilities</b>                      |          |                           |                           |                           |                           |                           |
| Provisions  | 21       | 816                       | 816                       | 816                       | 816                       | 816                       |
| Employee benefit liabilities                        | 22       | 852                       | 1,092                     | 1,160                     | 852                       | 1,160                     |
| Borrowings  | 23       | 78,700                    | 65,200                    | 75,200                    | 78,700                    | 161,171                   |
| Deferred tax liabilities                            | 24       | -                         | -                         | -                         | 23,739                    | 28,824                    |
| Derivative financial instruments                    |          | 1,904                     | 2,460                     | 3,493                     | 6,161                     | 10,814                    |
| <b>Total non-current liabilities</b>                |          | <b>82,272</b>             | <b>69,568</b>             | <b>80,669</b>             | <b>110,268</b>            | <b>202,785</b>            |
| <b>TOTAL LIABILITIES</b>                            |          | <b>115,532</b>            | <b>133,801</b>            | <b>147,909</b>            | <b>234,376</b>            | <b>276,275</b>            |
| <b>EQUITY</b>                                       |          |                           |                           |                           |                           |                           |
| Retained earnings                                   | 25       | 376,475                   | 379,773                   | 366,796                   | 453,163                   | 440,460                   |
| Other reserves                                      | 25       | 544,301                   | 538,720                   | 547,635                   | 577,464                   | 579,170                   |
| <b>Total equity</b>                                 |          | <b>920,776</b>            | <b>918,493</b>            | <b>914,431</b>            | <b>1,030,627</b>          | <b>1,019,630</b>          |
| <b>TOTAL LIABILITIES AND EQUITY</b>                 |          | <b>1,036,308</b>          | <b>1,052,294</b>          | <b>1,062,340</b>          | <b>1,265,003</b>          | <b>1,295,905</b>          |
| Total equity attributable to the Council            |          | 920,776                   | 918,493                   | 914,431                   | 1,028,843                 | 1,017,882                 |
| Total equity attributable to the Minority Interests |          | -                         | -                         | -                         | 1,784                     | 1,748                     |
| <b>TOTAL EQUITY</b>                                 |          | <b>920,776</b>            | <b>918,493</b>            | <b>914,431</b>            | <b>1,030,627</b>          | <b>1,019,630</b>          |

The accompanying notes form an integral part of these financial statements



## Statement of Comprehensive Revenue and Expense

For the year ended June 30, 2021

|  | Note | Council<br>Actual<br>2021<br>(\$000) | Council<br>Budget<br>2021<br>(\$000) | Council<br>Actual<br>2020<br>(\$000) | Group<br>Actual<br>2021<br>(\$000) | Group<br>Restated*<br>Actual<br>2020<br>(\$000) |
|--|------|--------------------------------------|--------------------------------------|--------------------------------------|------------------------------------|---|
| <b>Revenue</b>   |      |                                      |                                      |                                      |                                    |   |
| Rates revenue  | 1    | 57,573                               | 56,767                               | 55,550                               | 57,573                             | 55,550  |
| Fines  |      | 538                                  | 502                                  | 208                                  | 538                                | 208   |
| Subsidies and grants   |      | 12,392                               | 9,217                                | 8,554                                | 12,458                             | 8,637   |
| Direct charges revenue   |      | 27,226                               | 21,734                               | 22,351                               | 50,701                             | 49,666  |
| Rental revenue   |      | 2,794                                | 3,013                                | 2,679                                | 4,897                              | 2,679   |
| Finance revenue  |      | 1,507                                | 1,902                                | 1,563                                | 1,107                              | 1,205   |
| Dividend income  |      | 4,886                                | 5,300                                | 5,141                                | -                                  | 341   |
| Subvention payments received   |      | 1,492                                | -                                    | 2,233                                | -                                  | -   |
| Total revenue (excluding gains)                                      |      | 108,408                              | 98,435                               | 98,279                               | 127,274                            | 118,286   |
| <b>Expenditure</b>   |      |                                      |                                      |                                      |                                    |   |
| Employee expenses  | 4    | 24,884                               | 25,433                               | 24,586                               | 26,062                             | 25,839  |
| Depreciation and amortisation  | 5    | 28,594                               | 28,124                               | 27,910                               | 35,363                             | 34,472  |
| General expenses   | 6    | 52,884                               | 43,448                               | 44,074                               | 65,733                             | 59,440  |
| Finance expenses   |      | 2,767                                | 3,140                                | 2,263                                | 5,362                              | 5,176   |
| Total expenditure  |      | 109,129                              | 100,145                              | 98,833                               | 132,520                            | 124,927   |
| <b>Other gains/(losses)</b>  |      |                                      |                                      |                                      |                                    |   |
| Other gains/(losses)   | 2    | 5,110                                | 964                                  | 910                                  | 6,080                              | 8,762   |
| Operating surplus (deficit) before tax                               |      | 4,389                                | (746)                                | 356                                  | 834                                | 2,121   |
| Capital distribution on liquidation of associates and joint ventures |      | -                                    | -                                    | 656                                  | -                                  | -   |
| Share of associates' and joint ventures' surplus (deficit)           |      | -                                    | -                                    | -                                    | 4,041                              | 4,268   |
| <b>Surplus (deficit) before tax</b>                                  |      | 4,389                                | (746)                                | 1,012                                | 4,875                              | 6,389   |
| Income tax expense   | 8    | -                                    | -                                    | -                                    | (2,862)                            | (2,912)   |
| <b>Surplus (deficit) after tax</b>                                   |      | <b>4,389</b>                         | <b>(746)</b>                         | <b>1,012</b>                         | <b>2,013</b>                       | <b>3,477</b>                                    |
| <b>Attributable to:</b>  |      |                                      |                                      |                                      |                                    |   |
| Invercargill City Council  |      | 4,389                                | (746)                                | 1,012                                | 1,977                              | 3,454   |
| Minority interest  |      | -                                    | -                                    | -                                    | 36                                 | 23  |
|  |      | 4,389                                | (746)                                | 1,012                                | 2,013                              | 3,477   |
| <b>Other comprehensive revenue and expense</b>                       |      |                                      |                                      |                                      |                                    |   |
| Property, plant and equipment revaluation gains/(losses)             |      | -                                    | -                                    | -                                    | 4,784                              | 2,629   |
| Carbon credit revaluation gains/(losses)                             | 2    | 367                                  | -                                    | 288                                  | 367                                | 1,579   |
| Cash flow hedges   |      | 1,589                                | -                                    | (1,033)                              | 3,833                              | (2,271)   |
| Total other comprehensive revenue and expense                        |      | 1,956                                | -                                    | (745)                                | 8,984                              | 1,937   |
| <b>Total comprehensive revenue and expense</b>                       |      | <b>6,345</b>                         | <b>(746)</b>                         | <b>267</b>                           | <b>10,997</b>                      | <b>5,414</b>                                    |
| <b>Total comprehensive revenue and expense attributable to:</b>      |      |                                      |                                      |                                      |                                    |   |
| Equity holders of the Council  |      | 6,345                                | (746)                                | 267                                  | 10,961                             | 5,391   |
| Minority interest  |      | -                                    | -                                    | -                                    | 36                                 | 23  |
|  |      | 6,345                                | (746)                                | 267                                  | 10,997                             | 5,414   |

\*Refer to note 36 for details of the restatement.

The accompanying notes form an integral part of these financial statements.



## Statement of Changes in Equity

For the year ended June 30, 2021

|  | Note | Council                   | Council                   | Council                   | Group                     | Group                                  |
|--|------|---------------------------|---------------------------|---------------------------|---------------------------|--|
|  |      | Actual<br>2021<br>(\$000) | Budget<br>2021<br>(\$000) | Actual<br>2020<br>(\$000) | Actual<br>2021<br>(\$000) | Restated*<br>Actual<br>2020<br>(\$000) |
| <b>Balance at 1 July</b>                             |      | 914,431                   | 919,239                   | 914,164                   | 1,019,630                 | 1,014,506                              |
| Restatement  |      | -                         | -                         | -                         | -                         | 1,000                                  |
| <b>Adjusted balance at 1 July</b>                    |      | <b>914,431</b>            | <b>919,239</b>            | <b>914,164</b>            | <b>1,019,630</b>          | <b>1,015,506</b>                       |
| Total comprehensive revenue and expense for the year |      | 6,345                     | (746)                     | 267                       | 10,997                    | 5,414                                  |
| Other reserves                                       |      | -                         | -                         | -                         | -                         | (1,290)                                |
| <b>Balance at 30 June</b>                            |      | <b>920,776</b>            | <b>918,493</b>            | <b>914,431</b>            | <b>1,030,627</b>          | <b>1,019,630</b>                       |
| <b>Attributable to:</b>                              |      |                           |                           |                           |                           |  |
| Invercargill City Council                            |      | 920,776                   | 918,493                   | 914,431                   | 1,028,843                 | 1,017,882                              |
| Minority interest                                    |      | -                         | -                         | -                         | 1,784                     | 1,748                                  |
| <b>Balance at 30 June</b>                            |      | <b>920,776</b>            | <b>918,493</b>            | <b>914,431</b>            | <b>1,030,627</b>          | <b>1,019,630</b>                       |

\*Refer to note 36 for details of the restatement.

The accompanying notes form an integral part of these financial statements.



## Cash Flow Statement

For the year ended June 30, 2021

|   |      | Council                   | Council                   | Council                   | Group                     | Group                     |
|---|------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|   | Note | Actual<br>2021<br>(\$000) | Budget<br>2021<br>(\$000) | Actual<br>2020<br>(\$000) | Actual<br>2021<br>(\$000) | Actual<br>2020<br>(\$000) |
| <b>Cash flows from operating activities</b>         |      |                           |                           |                           |                           |                           |
| Receipts from rates revenue                         |      | 57,572                    | 56,767                    | 55,025                    | 57,572                    | 55,025                    |
| Receipts from other revenue                         |      | 46,711                    | 34,466                    | 31,751                    | 73,000                    | 59,844                    |
| Interest received                                   |      | 1,507                     | 1,902                     | 1,563                     | 1,956                     | 2,118                     |
| Dividends received                                  |      | 4,886                     | 5,300                     | 5,141                     | -                         | 341                       |
| Subvention payments received                        |      | 1,492                     | -                         | 2,233                     | -                         | -                         |
| Payments to suppliers and employees                 |      | (73,643)                  | (68,881)                  | (65,244)                  | (89,621)                  | (84,249)                  |
| Interest paid                                       |      | (2,767)                   | (3,140)                   | (2,251)                   | (6,240)                   | (6,064)                   |
| Income tax paid (refund)                            |      | -                         | -                         | -                         | (5,404)                   | 906                       |
| Goods and services tax (net)                        |      | (2,847)                   | -                         | 98                        | (2,738)                   | 22                        |
| Net cash flows from operating activities            | 26   | 32,971                    | 26,414                    | 28,316                    | 28,525                    | 27,943                    |
| <b>Cash flows from investing activities</b>         |      |                           |                           |                           |                           |                           |
| Proceeds from sale of property, plant and equipment |      | 1,802                     | 194                       | 1,289                     | 13,106                    | 1,323                     |
| Proceeds from sale of biological assets             |      | -                         | -                         | -                         | 31,041                    | 1,004                     |
| Proceeds from sale of investment property           |      | 1,837                     | -                         | -                         | 1,837                     | -                         |
| Proceeds from sale of investments                   |      | 22,000                    | 12,322                    | 656                       | 22,050                    | 724                       |
| Proceeds from sale of intangibles                   |      | -                         | -                         | -                         | 3,195                     | -                         |
| Advances repaid by subsidiaries and associates      |      | -                         | -                         | -                         | -                         | 3,064                     |
| Purchase of property, plant and equipment           |      | (24,358)                  | (38,748)                  | (18,671)                  | (29,604)                  | (26,098)                  |
| Purchase of investments                             |      | (6,817)                   | -                         | (47,350)                  | (6,836)                   | (22,382)                  |
| Purchase of investment property                     |      | (228)                     | (104)                     | -                         | (228)                     | -                         |
| Purchase of intangible assets                       |      | (746)                     | (78)                      | -                         | (746)                     | (1,082)                   |
| Advances made to associates and joint ventures      |      | -                         | -                         | -                         | (196)                     | -                         |
| Investments in associates and joint ventures        |      | -                         | -                         | -                         | 557                       | (28,843)                  |
| Net cash flows from/to investing activities         |      | (6,510)                   | (26,414)                  | (64,076)                  | 34,176                    | (72,290)                  |

## Cash Flow Statement continued

For the year ended June 30, 2021

|  |      | Council                   | Council                   | Council                   | Group                     | Group                     |
|--|------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|  | Note | Actual<br>2021<br>(\$000) | Budget<br>2021<br>(\$000) | Actual<br>2020<br>(\$000) | Actual<br>2021<br>(\$000) | Actual<br>2020<br>(\$000) |
| <b>Cash flows from financing activities</b>                                  |      |                           |                           |                           |                           |                           |
| Proceeds from borrowings   |      | -                         | -                         | 40,020                    | 31,500                    | 58,520                    |
| Repayment of borrowings  |      | (36,293)                  | -                         | (5,025)                   | (98,693)                  | (15,875)                  |
| Net cash flows (to)/from financing   |      | (36,293)                  | -                         | 34,995                    | (67,193)                  | 42,645                    |
| <b>Net increase (decrease) in cash, cash equivalents and bank overdrafts</b> |      | (9,832)                   | -                         | (765)                     | (4,493)                   | (1,702)                   |
| Cash, cash equivalents and bank overdrafts at the beginning of the year      |      | 26,505                    | 14,738                    | 27,270                    | 30,389                    | 32,091                    |
| <b>Cash, cash equivalents and bank overdrafts at the end of the year</b>     | 9    | 16,673                    | 14,738                    | 26,505                    | 25,896                    | 30,389                    |

The accompanying notes form an integral part of these financial statements



## Notes to the Financial Statements

For the year ended June 30, 2021

### 1 Rates revenue

|  | <b>Council<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Actual<br/>2020<br/>(\$000)</b> |
|--|--|--|
| General rates                                    | 6,130  | 5,437  |
| Rates penalties                                  | 546  | 654  |
|  | 6,676  | 6,091  |
| <b>Targeted rates attributable to activities</b> |  |  |
| Water  | 8,151  | 7,982  |
| Sewerage and drainage                            | 10,382   | 10,366   |
| Refuse and recycling                             | 4,579  | 4,476  |
| Other activities                                 | 27,873   | 26,726   |
| Total revenue from rates                         | 57,661   | 55,641   |

The provision of this rates revenue information is required by Council's LGFA Guarantee and Indemnity Deed. The Multi-Issuer Deed defines annual rates income as an amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002, together with any revenue received by Council from other authorities for services provided by the Council for which those other local authorities rate. The annual rates income for the Council for the year ended 30 June 2021 for the purpose of the LGFA Guarantee and Indemnity deed disclosure is \$57.57 million.

### 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:

|   | <b>Council<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Actual<br/>2020<br/>(\$000)</b> |
|---|--|--|
| Halls, museums and other similar groups   | 3  | 4  |
| Organisations whose object is the health and well-being of the community        | 44   | 44   |
| Organisations whose principal object is the promotion of the arts or recreation | 31   | 30   |
| Organisations using premises for branches of the arts                           | 8  | 11   |
| Organisations using premises for historic conservation purposes                 | 2  | 2  |
| Total remissions  | 88   | 91   |
| Rates revenue net of remissions   | 57,573   | 55,550   |

## 1 Rates revenue (continued)

### Rates remissions

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.

### Rating base information

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

|   | Council<br>Actual<br>2021 | Council<br>Actual<br>2020 |
|---|---------------------------|---------------------------|
| Number of rating units within the Invercargill City Council       | 25,410                    | 25,331                    |
|   | (\$000)                   | (\$000)                   |
| Total rateable land value within the Invercargill City Council    | 3,027,477                 | 2,949,746                 |
| Total rateable capital value within the Invercargill City Council | 9,073,403                 | 8,490,927                 |

The rating database as at 30 June 2020 is used to determine the rates revenue for the 2020/21 year. This information is verified with Quotable Value Limited.

The total amount of rates charged on Council owned properties that have not been eliminated from revenue and expenditure is \$1.295 million (2020: \$0.510 million). For the Group, rates of \$1.394 million (2020: \$0.632million) have not been eliminated.

## 2 Other gains and losses

|  | Council<br>Actual<br>2021<br>(\$000) | Council<br>Actual<br>2020<br>(\$000) | Group<br>Actual<br>2021<br>(\$000) | Group<br>Actual<br>2020<br>(\$000) |
|--|--------------------------------------|--------------------------------------|------------------------------------|------------------------------------|
| <b>Recognised in Retained Earnings</b>                                   |                                      |                                      |                                    |                                    |
| Change in fair value and harvesting of biological assets (refer Note 15) | 555                                  | 492                                  | 555                                | 8,527                              |
| Change in fair value of investment property (refer Note 16)              | 3,412                                | 232                                  | 4,382                              | 182                                |
| Change in fair value of investments                                      | 12                                   | (273)                                | 12                                 | (273)                              |
| Net gain/(loss) on sale of property, plant and equipment                 | 1,131                                | 459                                  | 1,131                              | 326                                |
|  | 5,110                                | 910                                  | 6,080                              | 8,762                              |
| <b>Recognised in other comprehensive revenue and expense</b>             |                                      |                                      |                                    |                                    |
| Change in fair value of carbon credits                                   | 367                                  | 288                                  | 367                                | 1,579                              |
| Total other gains and losses   | 5,477                                | 1,198                                | 6,447                              | 10,341                             |



### 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

|  | <b>Council<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Actual<br/>2020<br/>(\$000)</b> |
|--|--|--|
| General rates, uniform annual general charges, rates penalties                     | 6,588  | 6,227  |
| Targeted rates   | 50,985   | 49,323   |
| <b>Total rates revenue as per Funding Impact Statement</b>                         | <b>57,573</b>                                  | <b>55,550</b>                                  |
| Rates excluding targeted water supply rates  | 49,422   | 47,568   |
| Rates - Targeted water supply rates  | 8,151  | 7,982  |
| <b>Total rates revenue as per Statement of Comprehensive Revenue &amp; Expense</b> | <b>57,573</b>                                  | <b>55,550</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<br>Actual<br>2021<br>(\$000) | Council<br>Actual<br>2020<br>(\$000) |
|--|--------------------------------------|--------------------------------------|
| Total operating funding as per Funding Impact Statement                            | 104,281                              | 96,122                               |
| PLUS: Capital funding - Subsidies and grants for capital expenditure               |                                      |                                      |
| - Roading activity   | 4,168                                | 3,312                                |
| - Stormwater activity  | 820                                  | -                                    |
| LESS: Share of joint ventures' revenue   | (861)                                | (499)                                |
| LESS: Capital distribution on liquidation of associates and joint ventures         | -                                    | (656)                                |
| PLUS: Non cash revaluations  |                                      |                                      |
| - Investment property revaluation gain/(loss)                                      | 3,412                                | 232                                  |
| - Biological assets revaluation gain/(loss)  | 555                                  | 492                                  |
| - Investments revaluation gain/(loss)  | 12                                   | (273)                                |
| - Carbon credits revaluation gain/(loss)   | 367                                  | 288                                  |
| - De-recognition of property, plant and equipment gain/(loss)                      | 1,131                                | 459                                  |
| <b>Total revenue funding as per Statement of Comprehensive Revenue and Expense</b> | <b>113,885</b>                       | <b>99,477</b>                        |
| Rates excluding targeted water supply rates  | 49,422                               | 47,568                               |
| Targeted rates for water supply  | 8,151                                | 7,982                                |
| Subsidies and grants   | 12,392                               | 8,554                                |
| Other revenue  | 36,936                               | 32,612                               |
| Change in fair value and harvesting of biological assets                           | 555                                  | 492                                  |
| Change in fair value of investment property  | 3,412                                | 232                                  |
| Change in fair value of investments  | 12                                   | (273)                                |
| Change in fair value of carbon credits   | 367                                  | 288                                  |
| Gain/(Loss) on sale of assets  | 1,131                                | 459                                  |
| Finance revenue  | 1,507                                | 1,563                                |
| <b>Total revenue</b>   | <b>113,885</b>                       | <b>99,477</b>                        |



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

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

|  | <b>Council<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Actual<br/>2020<br/>(\$000)</b> |
|--|--|--|
| Total applications of operating funding as per Funding Impact Statement                                      | 81,429   | 71,287   |
| LESS: Share of joint ventures' expenses  | (894)  | (364)  |
|  | <b>80,535</b>                                  | <b>70,923</b>                                  |
| Per Statement of Comprehensive Revenue and Expense   |  |  |
| Employee benefit expenses  | 24,884   | 24,586   |
| Other expenses   | 52,884   | 44,074   |
| Finance expenses   | 2,767  | 2,263  |
|  | <b>80,535</b>                                  | <b>70,923</b>                                  |
| Plus depreciation expense (not in Funding Impact Statement)  | 28,594   | 27,910   |
| Total operating expenditure including finance costs as per Statement<br>of Comprehensive Revenue and Expense | <b>109,129</b>                                 | <b>98,833</b>                                  |



#### 4 Employee expenses

|   | <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>2021</b>    | <b>2020</b>    | <b>2021</b>    | <b>2020</b>    |
|   | <b>(\$000)</b> | <b>(\$000)</b> | <b>(\$000)</b> | <b>(\$000)</b> |
| Wages and salaries                          | 25,023         | 23,805         | 26,201         | 25,014         |
| Contributions to defined contribution plans | 563            | 552            | 563            | 552            |
| Increase/(Decrease) in employee benefits    | (702)          | 229            | (702)          | 273            |
| Total employee expenses                     | 24,884         | 24,586         | 26,062         | 25,839         |

#### Employee severance payments:

Council made eight redundancy payments during the year ended 30 June 2021 totalling \$166,050, none of which exceeded contractual provisions.

Council made twelve severance payments during the year ended 30 June 2020 totalling \$354,422, two of which exceeded contractual provisions comprising of \$55,316 split as \$45,107 and \$10,209.



## 5 Depreciation and amortisation expense by group of activity

|  | <b>Council<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Actual<br/>2020<br/>(\$000)</b> |
|--|--|--|
| Roading  | 9,996  | 9,793  |
| Sewerage   | 4,057  | 4,107  |
| Solid waste management   | 398  | 113  |
| Stormwater   | 3,915  | 3,862  |
| Water supply   | 4,070  | 4,039  |
| Regulatory services  | 67   | 76   |
| Housing care   | 911  | 923  |
| Libraries and archives   | 1,122  | 1,076  |
| Parks and cemeteries   | 1,017  | 1,133  |
| Pools  | 1,350  | 1,299  |
| Public toilets   | 117  | 29   |
| Passenger transport  | 2  | 9  |
| Democratic process   | 16   | 44   |
| Investment property  | 16   | 18   |
| Theatre services   | 599  | 510  |
| Specialised community services   | -  | 95   |
| Total directly attributable depreciation and amortisation by group of activity | 27,653   | 27,126   |
| Depreciation and amortisation not directly related to group activities         | 941  | 784  |
| <b>Total depreciation and amortisation</b>                                     | <b>28,594</b>                                  | <b>27,910</b>                                  |

## 6 General expenses

|  | <b>Council<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Actual<br/>2020<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2020<br/>(\$000)</b> |
|--|--|--|--|--|
| Audit fees (refer Note 7)  | 421  | 173  | 686  | 350  |
| Bad and doubtful debts   | 417  | (65)   | 368  | (65)   |
| Directors' fees  | -  | -  | 452  | 547  |
| Operating lease expenses   | 290  | 381  | 290  | 381  |
| Direct operating expenses (including repairs and maintenance) arising on investment properties | 1,188  | 1,108  | 1,188  | 1,108  |
| Biological assets cost of goods sold   | 151  | 30   | 151  | 258  |
| Other expenses   | 50,417   | 42,447   | 62,598                                       | 56,861                                       |
| <b>Total general expenses</b>  | <b>52,884</b>                                  | <b>44,074</b>                                  | <b>65,733</b>                                | <b>59,440</b>                                |

## 7 Auditor remuneration

|  | <b>Council<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Actual<br/>2020<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2020<br/>(\$000)</b> |
|--|--|--|--|--|
| <b>Auditor's remuneration to Audit New Zealand comprises:</b>  |  |  |  |  |
| - Audit of financial statements                                | 141  | 135  | 266  | 263  |
| - Cost recovery from audit of last year's financial statements | 55   | 30   | 55   | 30   |
| - Other audit-related services                                 | 142  | 8  | 142  | 8  |
| <b>Auditor's remuneration to other auditors comprises:</b>     |  |  |  |  |
| - Audit of financial statements                                | -  | -  | 59   | 49   |
| - Other audit-related services                                 | 83   | -  | 164  | -  |
| <b>Total auditor remuneration</b>                              | <b>421</b>                                     | <b>173</b>                                     | <b>686</b>                                   | <b>350</b>                                   |

The Audit New Zealand other audit-related services are for the audit or review of the Long-term Plan and the Debenture Trust Deed.

Council's other audit-related services are for internal audits performed by Deloitte Limited.

The Group other audit-related services are incurred by Electricity Invercargill Limited in relation to the audit of the Default Price Path and Regulatory Disclosures.



## 8 Income tax expense

|   | <b>Council<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Actual<br/>2020<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2020<br/>(\$000)</b> |
|---|--|--|--|--|
| <b>Current tax expense</b>                        |  |  |  |  |
| Current tax                                       | -  | -  | 8,316  | 814  |
| Adjustment to current tax in prior years          | -  | -  | (2,354)                                      | 10   |
| Total current tax expense                         | -  | -  | 5,962  | 824  |
| <b>Deferred tax expense</b>                       |  |  |  |  |
| Origination and reversal of temporary differences | -  | -  | (3,057)                                      | 2,098  |
| Adjustment for prior periods                      | -  | -  | (43)   | (7)  |
| Other   | -  | -  | -  | (3)  |
| Total deferred tax expense                        | -  | -  | (3,100)                                      | 2,088  |
| Total income tax expense                          | -  | -  | 2,862  | 2,912  |
| <b>Reconciliation of effective tax rate</b>       |  |  |  |  |
| Surplus for the period excluding income tax       | 4,389  | 1,012  | 4,875  | 8,839  |
|   | 4,389  | 1,012  | 4,875  | 8,839  |
| Tax at 28%  | 1,229  | 283  | 1,365  | 2,475  |
| Permanent differences                             | -  | -  | 2,260  | (62)   |
| Non-deductible expenses                           | -  | -  | 737  | 120  |
| Tax exempt revenue                                | (1,229)  | (283)  | (1,229)                                      | 393  |
| Group loss offset                                 | -  | -  | -  | 3  |
| Change in recognised temporary differences        | -  | -  | -  | (10)   |
| Under/(Over) provided in prior periods            | -  | -  | (270)  | (7)  |
| Total income tax expense                          | -  | -  | 2,862  | 2,912  |

Council has not recognised a deferred tax asset in relation to tax losses of \$nil (2020: \$5.5 million). However, the asset has been recognised at the Group level.

## 9 Cash and cash equivalents

|  | <b>Council<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Actual<br/>2020<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2020<br/>(\$000)</b> |
|--|--|--|--|--|
| Bank balances  | 16,668   | 26,498   | 25,891                                       | 30,382                                       |
| Cash on hand   | 5  | 7  | 5  | 7  |
| Cash and cash equivalents in the Statement of Cash Flows | 16,673   | 26,505   | 25,896                                       | 30,389                                       |

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

Within the balances above, Council holds

- \$700,000 (2020:\$550,000) of funds designated for construction of a boat ramp at Bluff, these funds are restricted for this purpose.
- \$581,377 (2020: \$528,004) of funds relating the Wastenet joint arrangement. The other partners share of this balance is included within Trade and other payables.

The carrying value of short-term deposits with maturity terms of three months or less are comprised of:

|          | <b>Council<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Actual<br/>2020<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2020<br/>(\$000)</b> |
|----------|--|--|--|--|
| SBS Bank | 4,111  | -  | 4,111  | -  |

## 10 Receivables



|  | <b>Council<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Actual<br/>2020<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2020<br/>(\$000)</b> |
|--|--|--|--|--|
| Rates and water receivables                  | 2,495  | 2,610  | 2,495  | 2,610  |
| Related party receivables                    | 57   | 150  | 134  | 86   |
| Sundry debtors                               | 4,829  | 6,281  | 7,944  | 8,763  |
| Accrued Revenue                              | 4,685  | 1,761  | 4,685  | 1,761  |
| Goods and services tax                       | -  | 798  | -  | 816  |
|  | 12,066   | 11,600   | 15,258                                       | 14,036                                       |
| Less provision for impairment of receivables | (690)  | (272)  | (739)  | (272)  |
| <b>Total receivables</b>                     | <b>11,376</b>                                  | <b>11,328</b>                                  | <b>14,519</b>                                | <b>13,764</b>                                |
| <b>Total receivables comprises:</b>          |  |  |  |  |
| Receivables from non-exchange transactions   | 7,143  | 6,105  |  |  |
| Receivables from exchange transactions       | 4,233  | 5,223  |  |  |
| <b>Total receivables</b>                     | <b>11,376</b>                                  | <b>11,328</b>                                  |  |  |

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.

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. 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.

The Chief Executive approved the write-off of rates receivables during the year under the Local Government (Rating) Act 2002 as follows:

- Section 90A: \$Nil (2020: Nil)
- Section 90B: \$Nil (2020: Nil)

## 10 Receivables (continued)

|                              | <b>Council<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Actual<br/>2020<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2020<br/>(\$000)</b> |
|------------------------------|--|--|--|--|
| Current (less than 3 months) | 11,155   | 10,860   | 14,298                                       | 13,296                                       |
| 3 to 6 months                | 425  | 468  | 425  | 468  |
| 6 to 9 months                | 5  | -  | 5  | -  |
| 9 to 12 months               | -  | -  | -  | -  |
| > 12 months                  | (209)  | -  | (209)  | -  |
| Carrying amount              | 11,376   | 11,328   | 14,519                                       | 13,764                                       |

As of 30 June 2021 and 2020, 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<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Actual<br/>2020<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2020<br/>(\$000)</b> |
|---|--|--|--|--|
| At 1 July                                 | (272)  | (337)  | (272)  | (337)  |
| Receivables written off during the period | 51   | 65   | 2  | 65   |
| Additional provision                      | (469)  | -  | (469)  | -  |
| At 30 June                                | (690)  | (272)  | (739)  | (272)  |



## 11 Inventories

|   | <b>Council<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Actual<br/>2020<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2020<br/>(\$000)</b> |
|---|--|--|--|--|
| <b>Inventory held for distribution or provision of services at charge or nominal charge</b> |  |  |  |  |
| Raw materials and consumables   | 246  | 174  | 246  | 174  |
| Finished goods  | 539  | 579  | 539  | 579  |
|   | 785  | 753  | 785  | 753  |
| <b>Inventory held for sale or provision of services at commercial terms</b>                 |  |  |  |  |
| Finished goods  | (52)   | 72   | (47)   | 80   |
|   | (52)   | 72   | (47)   | 80   |
| <b>Total inventories</b>  | <b>733</b>                                     | <b>825</b>                                     | <b>738</b>                                   | <b>833</b>                                   |

The carrying amount of inventories held for distribution are measured at cost less any loss of service potential as at 30 June, 2021 amounted to \$Nil (2020: \$Nil).

The write-down of inventories held for distribution amounted to \$Nil (2020: \$Nil), while reversals of write-downs amounted to \$Nil (2020: \$Nil).

The carrying amount of inventories pledged as security for liabilities is \$Nil (2020: \$Nil).

## 12 Non-current assets held for resale

|   | <b>Council<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Actual<br/>2020<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2020<br/>(\$000)</b> |
|---|--|--|--|--|
| Land  | 8,680  | -  | 8,680  | -  |
| Land - Forestry                                 | -  | -  | -  | 9,960  |
| Buildings                                       | 1,300  | -  | 1,300  | -  |
| Roading   | -  | -  | -  | 1,436  |
| Land and trees held for sale                    | -  | -  | -  | 31,041                                       |
| <b>Total non-current assets held for resale</b> | <b>9,980</b>                                   | <b>-</b>                                       | <b>9,980</b>                                 | <b>42,437</b>                                |

The Council's strategic development investment properties in Esk Street West are subject to an unconditional contract for sale. Settlement is scheduled for June 2022. The holding values at 30 June 2021 are fair value as reflected in the valuations prepared by Robert Todd of TelferYoung Limited.

The Council's Awarua farm investment property is subject to an unconditional contract for sale. Settlement is scheduled for June 2022. Council has retained the heritage portion of the property. The holding values at 30 June 2021 are fair value as reflected in the valuations prepared by Robert Todd of TelferYoung Limited.

The Group's non-current assets held for resale for the 2020 year relate to Invercargill City Forests Limited, who had entered into a contract for the sale of forestry assets. The recorded value reflects the terms of the negotiated sale less the costs to sell. The Company also listed a small parcel of remaining bare land for sale.



### 13 Property, plant and equipment

2021

|  | \$000<br>Cost/<br>Revaluation | \$000<br>Accumulated<br>depreciation<br>and impairment<br>charges | \$000<br>Carrying amount | \$000<br>Additions<br>and transfers | \$000<br>Disposals<br>and<br>Derecognition | \$000<br>Current year<br>disposals<br>accumulated<br>depreciation |
|--|-------------------------------|---|--------------------------|-------------------------------------|--|---|
|  | 1-Jul-20                      | 1-Jul-20  | 1-Jul-20                 |                                     |  |   |
| <b>Council operational assets</b>                    |                               |   |                          |                                     |  |   |
| Land   | 17,068                        | -   | 17,068                   | -                                   | (366)                                      | -   |
| Buildings  | 166,056                       | (85,158)  | 80,898                   | 3,716                               | (678)                                      | 477   |
| Library books  | 4,215                         | (590)   | 3,625                    | 388                                 | -  | -   |
| Plant and equipment                                  | 15,629                        | (11,568)  | 4,061                    | 588                                 | (253)                                      | 231   |
| Motor vehicles                                       | 5,127                         | (3,672)   | 1,455                    | 390                                 | (436)                                      | 363   |
| Furniture and fittings                               | 438                           | (317)   | 121                      | 762                                 | (5)  | 4   |
| <b>Total Council operational assets</b>              | <b>208,533</b>                | <b>(101,305)</b>  | <b>107,228</b>           | <b>5,844</b>                        | <b>(1,738)</b>                             | <b>1,075</b>  |
| <b>Council infrastructural assets</b>                |                               |   |                          |                                     |  |   |
| Roads, bridges and footpaths                         | 521,199                       | (286,408)   | 234,791                  | 9,113                               | -  | -   |
| Stormwater systems                                   | 368,397                       | (192,805)   | 175,592                  | 631                                 | -  | -   |
| Wastewater systems - Treatment plants and facilities | 50,449                        | (24,635)  | 25,814                   | 40                                  | -  | -   |
| Wastewater systems - Other assets                    | 261,821                       | (166,405)   | 95,416                   | 2,206                               | -  | -   |
| Water systems - Treatment plants and facilities      | 28,960                        | (10,741)  | 18,219                   | 266                                 | -  | -   |
| Water systems - Other assets                         | 254,481                       | (125,888)   | 128,593                  | 2,291                               | -  | -   |
| Land under roads                                     | 45,051                        | (5)   | 45,046                   | -                                   | -  | -   |
| <b>Total Council infrastructural assets</b>          | <b>1,530,358</b>              | <b>(806,887)</b>  | <b>723,471</b>           | <b>14,547</b>                       | <b>-</b>                                   | <b>-</b>  |
| <b>Council restricted assets</b>                     |                               |   |                          |                                     |  |   |
| Land   | 8,965                         | (132)   | 8,833                    | 97                                  | (9)  | -   |
| Land - Forestry                                      | 1,670                         | -   | 1,670                    | -                                   | -  | -   |
| Buildings  | 628                           | (342)   | 286                      | -                                   | -  | -   |
| Monuments and statues                                | 437                           | (46)  | 391                      | 153                                 | -  | -   |
| Hard surfaces and appurtenance                       | 5,440                         | (480)   | 4,960                    | 521                                 | -  | -   |
| Total Council restricted assets                      | 17,140                        | (1,000)   | 16,140                   | 771                                 | (9)  | -   |
| <b>Total Council property, plant and equipment</b>   | <b>1,756,031</b>              | <b>(909,192)</b>  | <b>846,839</b>           | <b>21,162</b>                       | <b>(1,747)</b>                             | <b>1,075</b>  |
| <b>Subsidiaries property, plant and equipment</b>    |                               |   |                          |                                     |  |   |
| Land   | 2,009                         | -   | 2,009                    | -                                   | -  | -   |
| Terminals  | 7,256                         | (1,075)   | 6,181                    | -                                   | -  | -   |
| Gravel and fencing                                   | 4,305                         | (1,334)   | 2,971                    | 2                                   | (18)                                       | 5   |
| Buildings and yards                                  | 14,829                        | (670)   | 14,159                   | -                                   | -  | -   |
| Network assets                                       | 124,019                       | (29,196)  | 94,823                   | 4,997                               | (343)                                      | 261   |
| Plant and equipment                                  | 2,814                         | (2,166)   | 648                      | 23                                  | (22)                                       | 17  |
| Motor vehicles                                       | 2,610                         | (2,529)   | 81                       | -                                   | -  | -   |
| Furniture and fittings                               | 5,538                         | (2,175)   | 3,363                    | 127                                 | (5)  | 2   |
| Runways and taxi ways                                | 14,974                        | (9,148)   | 5,826                    | -                                   | -  | -   |
| Total subsidiaries property, plant and equipment     | 178,354                       | (48,293)  | 130,061                  | 5,149                               | (388)                                      | 285   |
| <b>Total Group property, plant and equipment</b>     | <b>1,934,385</b>              | <b>(957,485)</b>  | <b>976,900</b>           | <b>26,311</b>                       | <b>(2,135)</b>                             | <b>1,360</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-21         | 30-Jun-21                                       | 30-Jun-21       |
| -               | -                      | -                  | -               | -                             | -   | 16,702            | -   | 16,702          |
| 273             | 47                     | -                  | (4,246)         | -                             | -   | 169,367           | (88,880)  | 80,487          |
| (340)           | 340                    | -                  | (645)           | -                             | -   | 4,263             | (895)   | 3,368           |
| (542)           | 437                    | -                  | (685)           | -                             | -   | 15,422            | (11,585)  | 3,837           |
| 77              | (77)                   | -                  | (477)           | -                             | -   | 5,158             | (3,863)   | 1,295           |
| 385             | (314)                  | -                  | (132)           | -                             | -   | 1,580             | (759)   | 821             |
| (147)           | 433                    | -                  | (6,185)         | -                             | -   | 212,492           | (105,982)                                       | 106,510         |
| (9,058)         | 9,058                  | -                  | (9,843)         | -                             | -   | 521,254           | (287,193)                                       | 234,061         |
| (631)           | 631                    | -                  | (3,873)         | -                             | -   | 368,397           | (196,047)                                       | 172,350         |
| (40)            | 40                     | -                  | (1,062)         | -                             | -   | 50,449            | (25,657)  | 24,792          |
| (2,206)         | 2,206                  | -                  | (3,017)         | -                             | -   | 261,821           | (167,216)                                       | 94,605          |
| (265)           | 265                    | -                  | (680)           | -                             | -   | 28,961            | (11,156)  | 17,805          |
| (2,291)         | 2,291                  | -                  | (3,376)         | -                             | -   | 254,481           | (126,973)                                       | 127,508         |
| (5)             | 5                      | -                  | -               | -                             | -   | 45,046            | -   | 45,046          |
| (14,496)        | 14,496                 | -                  | (21,851)        | -                             | -   | 1,530,409         | (814,242)                                       | 716,167         |
| (136)           | 136                    | -                  | (4)             | -                             | -   | 8,917             | -   | 8,917           |
| -               | -                      | -                  | -               | -                             | -   | 1,670             | -   | 1,670           |
| (628)           | 342                    | -                  | -               | -                             | -   | -                 | -   | -               |
| -               | -                      | -                  | (7)             | -                             | -   | 590               | (53)  | 537             |
| (1)             | 1                      | -                  | (369)           | -                             | -   | 5,960             | (848)   | 5,112           |
| (765)           | 479                    | -                  | (380)           | -                             | -   | 17,137            | (901)   | 16,236          |
| <b>(15,408)</b> | <b>15,408</b>          | <b>-</b>           | <b>(28,416)</b> | <b>-</b>                      | <b>-</b>  | <b>1,760,038</b>  | <b>(921,125)</b>                                | <b>838,913</b>  |
| -               | -                      | -                  | -               | -                             | -   | 2,009             | -   | 2,009           |
| -               | -                      | -                  | (217)           | -                             | -   | 7,256             | (1,292)   | 5,964           |
| -               | -                      | -                  | (173)           | -                             | -   | 4,289             | (1,502)   | 2,787           |
| -               | -                      | (254)              | (492)           | (46)                          | -   | 14,783            | (1,416)   | 13,367          |
| -               | (6,119)                | -                  | (4,293)         | 590                           | -   | 129,263           | (27,109)  | 102,154         |
| -               | -                      | -                  | (112)           | -                             | -   | 2,815             | (2,261)   | 554             |
| -               | -                      | -                  | (10)            | -                             | -   | 2,610             | (2,539)   | 71              |
| -               | -                      | -                  | (431)           | -                             | -   | 5,660             | (2,604)   | 3,056           |
| -               | -                      | -                  | (829)           | -                             | -   | 14,974            | (9,977)   | 4,997           |
| -               | (6,119)                | (254)              | (6,557)         | 544                           | -   | 183,659           | (48,700)  | 134,959         |
| <b>(15,408)</b> | <b>9,289</b>           | <b>(254)</b>       | <b>(34,973)</b> | <b>544</b>                    | <b>-</b>  | <b>1,943,697</b>  | <b>(969,825)</b>                                | <b>973,872</b>  |

### 13 Property, plant and equipment

2020

|   | \$000                | \$000  | \$000            | \$000                      | \$000                             | \$000  |
|---|----------------------|--|------------------|----------------------------|-----------------------------------|--|
|   | Cost/<br>Revaluation | Accumulated<br>depreciation<br>and impairment<br>charges | Carrying amount  | Additions<br>and transfers | Disposals<br>and<br>Derecognition | Current year<br>disposals<br>accumulated<br>depreciation |
|   | 1-Jul-19             | 1-Jul-19   | 1-Jul-19         |                            |                                   |  |
| <b>Council operational assets</b>                       |                      |  |                  |                            |                                   |  |
| Land  | 17,068               | -  | 17,068           | -                          | -                                 | -  |
| Buildings   | 165,436              | (80,932)   | 84,504           | 620                        | -                                 | -  |
| Library books   | 3,843                | -  | 3,843            | 372                        | -                                 | -  |
| Plant and equipment                                     | 15,261               | (10,933)   | 4,328            | 448                        | (80)                              | 64   |
| Motor vehicles  | 5,210                | (3,423)  | 1,787            | 304                        | (387)                             | 344  |
| Furniture and fittings                                  | 428                  | (286)  | 142              | 10                         | -                                 | -  |
| <b>Total Council operational assets</b>                 | <b>207,246</b>       | <b>(95,574)</b>  | <b>111,672</b>   | <b>1,754</b>               | <b>(467)</b>                      | <b>408</b>   |
| <b>Council infrastructural assets</b>                   |                      |  |                  |                            |                                   |  |
| Roads, bridges and footpaths                            | 514,254              | (276,784)  | 237,470          | 6,945                      | -                                 | -  |
| Stormwater systems                                      | 366,954              | (188,943)  | 178,011          | 1,443                      | -                                 | -  |
| Wastewater systems - Treatment plants<br>and facilities | 50,389               | (23,571)   | 26,818           | 60                         | -                                 | -  |
| Wastewater systems - Other assets                       | 261,041              | (163,389)  | 97,652           | 780                        | -                                 | -  |
| Water systems - Treatment plants<br>and facilities      | 28,615               | (10,068)   | 18,547           | 345                        | -                                 | -  |
| Water systems - Other assets                            | 251,694              | (122,538)  | 129,156          | 2,787                      | -                                 | -  |
| Land under roads  | 45,051               | (5)  | 45,046           | -                          | -                                 | -  |
| <b>Total Council infrastructural assets</b>             | <b>1,517,998</b>     | <b>(785,298)</b>   | <b>732,700</b>   | <b>12,360</b>              | <b>-</b>                          | <b>-</b>   |
| <b>Council restricted assets</b>                        |                      |  |                  |                            |                                   |  |
| Land  | 8,560                | (128)  | 8,432            | 550                        | (144)                             | -  |
| Land - Forestry   | 1,670                | -  | 1,670            | -                          | -                                 | -  |
| Buildings   | 628                  | (324)  | 304              | -                          | -                                 | -  |
| Monuments and statues                                   | 437                  | (44)   | 393              | -                          | -                                 | -  |
| Hard surfaces and appurtenance                          | 5,381                | (401)  | 4,980            | 59                         | -                                 | -  |
| <b>Total Council restricted assets</b>                  | <b>16,676</b>        | <b>(897)</b>   | <b>15,779</b>    | <b>609</b>                 | <b>(144)</b>                      | <b>-</b>   |
| <b>Total Council property,<br/>plant and equipment</b>  | <b>1,741,920</b>     | <b>(881,769)</b>   | <b>860,151</b>   | <b>14,723</b>              | <b>(611)</b>                      | <b>408</b>   |
| <b>Subsidiaries property,<br/>plant and equipment</b>   |                      |  |                  |                            |                                   |  |
| Land  | 2,009                | -  | 2,009            | -                          | -                                 | -  |
| Land - Forestry   | 9,038                | -  | 9,038            | -                          | -                                 | -  |
| Terminals   | 7,014                | (858)  | 6,156            | 242                        | -                                 | -  |
| Gravel and fencing                                      | 4,050                | (1,162)  | 2,888            | 262                        | (7)                               | 3  |
| Buildings and yards*                                    | 16,119               | (231)  | 15,888           | -                          | -                                 | -  |
| Network assets  | 119,211              | (25,452)   | 93,759           | 5,458                      | (650)                             | 499  |
| Plant and equipment                                     | 2,794                | (2,048)  | 746              | 47                         | (27)                              | 21   |
| Motor vehicles  | 2,610                | (2,518)  | 92               | -                          | -                                 | -  |
| Furniture and fittings                                  | 4,953                | (1,757)  | 3,196            | 585                        | -                                 | -  |
| Runways and taxi ways                                   | 14,756               | (8,320)  | 6,436            | 218                        | -                                 | -  |
| Roading   | 2,151                | (623)  | 1,528            | -                          | -                                 | -  |
| Total subsidiaries property, plant<br>and equipment     | 184,705              | (42,969)   | 141,736          | 6,812                      | (684)                             | 523  |
| <b>Total Group property, plant<br/>and equipment</b>    | <b>1,926,625</b>     | <b>(924,738)</b>   | <b>1,001,887</b> | <b>21,535</b>              | <b>(1,295)</b>                    | <b>931</b>   |

\* Balances have been restated - refer to note 36 for details.



| \$000           | \$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-20                                       | 30-Jun-20        | 30-Jun-20      |
| -               | -                      | -                  | -               | -                             | -   | -                 | 17,068  | -                | 17,068         |
| -               | -                      | -                  | (4,226)         | -                             | -   | -                 | 166,056   | (85,158)         | 80,898         |
| -               | -                      | -                  | (590)           | -                             | -   | -                 | 4,215   | (590)            | 3,625          |
| -               | -                      | -                  | (699)           | -                             | -   | -                 | 15,629  | (11,568)         | 4,061          |
| -               | -                      | -                  | (593)           | -                             | -   | -                 | 5,127   | (3,672)          | 1,455          |
| -               | -                      | -                  | (31)            | -                             | -   | -                 | 438   | (317)            | 121            |
| -               | -                      | -                  | (6,139)         | -                             | -   | -                 | 208,533   | (101,305)        | 107,228        |
| -               | -                      | -                  | (9,624)         | -                             | -   | -                 | 521,199   | (286,408)        | 234,791        |
| -               | -                      | -                  | (3,862)         | -                             | -   | -                 | 368,397   | (192,805)        | 175,592        |
| -               | -                      | -                  | (1,064)         | -                             | -   | -                 | 50,449  | (24,635)         | 25,814         |
| -               | -                      | -                  | (3,016)         | -                             | -   | -                 | 261,821   | (166,405)        | 95,416         |
| -               | -                      | -                  | (673)           | -                             | -   | -                 | 28,960  | (10,741)         | 18,219         |
| -               | -                      | -                  | (3,350)         | -                             | -   | -                 | 254,481   | (125,888)        | 128,593        |
| -               | -                      | -                  | -               | -                             | -   | -                 | 45,051  | (5)              | 45,046         |
| -               | -                      | -                  | (21,589)        | -                             | -   | -                 | 1,530,358                                       | (806,887)        | 723,471        |
| (1)             | -                      | -                  | (4)             | -                             | -   | -                 | 8,965   | (132)            | 8,833          |
| -               | -                      | -                  | -               | -                             | -   | -                 | 1,670   | -                | 1,670          |
| -               | -                      | -                  | (18)            | -                             | -   | -                 | 628   | (342)            | 286            |
| -               | -                      | -                  | (2)             | -                             | -   | -                 | 437   | (46)             | 391            |
| -               | -                      | -                  | (79)            | -                             | -   | -                 | 5,440   | (480)            | 4,960          |
| (1)             | -                      | -                  | (103)           | -                             | -   | -                 | 17,140  | (1,000)          | 16,140         |
| <b>(1)</b>      | <b>-</b>               | <b>-</b>           | <b>(27,831)</b> | <b>-</b>                      | <b>-</b>  | <b>-</b>          | <b>1,756,031</b>                                | <b>(909,192)</b> | <b>846,839</b> |
| -               | -                      | -                  | -               | -                             | -   | -                 | 2,009   | -                | 2,009          |
| (9,961)         | -                      | -                  | -               | 923                           | -   | -                 | -   | -                | -              |
| -               | -                      | -                  | (217)           | -                             | -   | -                 | 7,256   | (1,075)          | 6,181          |
| -               | -                      | -                  | (175)           | -                             | -   | -                 | 4,305   | (1,334)          | 2,971          |
| -               | -                      | -                  | (439)           | (1,290)                       | -   | -                 | 14,829  | (670)            | 14,159         |
| -               | -                      | -                  | (4,243)         | -                             | -   | -                 | 124,019   | (29,196)         | 94,823         |
| -               | -                      | -                  | (139)           | -                             | -   | -                 | 2,814   | (2,166)          | 648            |
| -               | -                      | -                  | (11)            | -                             | -   | -                 | 2,610   | (2,529)          | 81             |
| -               | -                      | -                  | (418)           | -                             | -   | -                 | 5,538   | (2,175)          | 3,363          |
| -               | -                      | -                  | (828)           | -                             | -   | -                 | 14,974  | (9,148)          | 5,826          |
| (2,151)         | 715                    | -                  | (92)            | -                             | -   | -                 | -   | -                | -              |
| (12,112)        | 715                    | -                  | (6,562)         | (367)                         | -   | -                 | 178,354   | (48,293)         | 130,061        |
| <b>(12,113)</b> | <b>715</b>             | <b>-</b>           | <b>(34,393)</b> | <b>(367)</b>                  | <b>-</b>  | <b>-</b>          | <b>1,934,385</b>                                | <b>(957,485)</b> | <b>976,900</b> |

### 13 Property, plant and equipment (continued)

The net carrying amount of property, plant and equipment held under finance leases is \$Nil (2020: \$Nil).

No depreciation is charged on land and there have been no impairments of land throughout the period (2020: \$Nil).

#### Revaluations

##### a) Forestry land

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.

In 2019, Invercargill City Forests Limited resolved to place its forest estates on the market. While the parties had agreed the terms of sale prior to 30 June 2020, the sale was completed in 2021. The assets held for resale have been reclassified as non-current assets held for sale. The recorded value reflects the terms of the negotiated sale less the costs to sell.

It is noted that Council's forestry land is categorised as restricted land and is carried at cost.

##### b) Operational land and buildings

Operational land and buildings were valued by Quotable Value Limited (independent valuers) as at 30 June, 2019. Residential and commercial properties have been valued at fair market value in relation to market based evidence. Specialised buildings have been valued at fair value using depreciated replacement cost because no reliable market data is available for such buildings. Replacement cost rates have been estimated from construction contracts of like assets, reference to publications such as QV Cost Builder, recent costings obtained from construction details and Property Institute of New Zealand's cost information. The effective age of the structures have been sourced from the records held by Quotable Value Ltd where available, otherwise based on visual inspection. This resulted in a revaluation reserve increase movement of \$13.524 million.

The Invercargill City Charitable Trust Board property, plant and equipment was valued by Quotable Value Ltd at 30 June 2019 as \$17,488,000, with fair value being determined on the basis of depreciated replacement cost.

An impairment assessment of the group of assets referred to as Rugby Park Stadium has been performed in accordance with the standard, PBE IPSAS 26 - Impairment of Cash Generating Assets. A section of the west-end stand has been identified as being unsafe for use, also identified is 75% of the seats in this section of the stadium have suffered UV light deterioration and require immediate replacement. The Council 2021-2031 Long Term Plan has agreed to provide \$4,900,000 to make Rugby Park a structurally sound and flexible use facility. A further impairment of \$300,000 (2020: \$1,289,900) has been recognised.

A loss on impairment has been recognised in line with the standard, allocating the value of the impairment against the revaluation reserve as part of comprehensive revenue and expenses (in line with the standard PBE IPSAS 17 - Property, Plant and Equipment).

##### c) Council infrastructural assets

Council's water, stormwater and waste water assets were valued by Council staff and then peer reviewed by AECOM (NZ) Limited (independent valuers) as at 30 June, 2019. All assets were valued using optimised depreciated replacement cost (ORDC). This requires the determination of quantities of assets optimised to relate to those required for current service delivery and foreseeable demand, unit rates that reflect replacement with modern engineering equivalent assets, effective lives that take into account local influences, and depreciation that defines current value given a definable remaining life.

Council's roads, bridges and footpaths were valued by Council staff and then peer reviewed by AECOM (NZ) Limited (independent valuers) as at 30 June, 2019. All assets were valued using depreciated replacement cost (DRC), being gross replacement cost less accumulated depreciation to date, based on the current age profile compared to useful life.

##### d) Library books

Council's library collections were valued by Council staff as at 30 June, 2019. All assets were valued using depreciated replacement cost (DRC), being gross replacement cost less accumulated depreciation to date, based on the current age profile compared to useful life.



### 13 Property, plant and equipment (continued)

#### e) Group network assets

The network assets of Electricity Invercargill Limited were revalued to fair value using discounted cash flow methodology on 31 March 2021 by Ernst & Young, who are independent valuers. This resulted in a favourable revaluation movement of \$6,709,000.

The valuation is based on 9 years forecast free cashflow and a calculated terminal value beyond the discrete cash flow period.

The following valuation assumptions were adopted:

- The free cash flows is based on the company's three year business plan, an inflationary increase of 2% in year four, and last five years have been prepared and based on Default Price Quality Path regime for 2025-2030, and asset management 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.
- Estimated forward inflation rate range of 1.5% to 2.0% on capital expenditure.
- The corporate tax rate used is 28%.
- The weighted average cost of capital (WACC) used is 4.8% (2020:5.5%)
- RAB multiple range of 1.0 times for the terminal value.

#### Fair Value Assessment

As Operational land and buildings and Council's Infrastructural assets are due for revaluation in 2022, it is necessary to consider whether the current carrying value is still reflective of fair value.

As at balance date the value of infrastructural assets are reflected at asset fair value, however there is concern over price certainty going forward due to instability in the Three Waters infrastructure construction market and the local property sales market. The combined impact of Government Three Water reforms stimulus funding and Covid shovel ready funding has meant the demand verse supply in the Three Waters infrastructure market has caused a price bidding war and significant uncertainty in many regions. Instead of supply increasing we have seen an increase in prices as entities try to secure the limited resources for their individual works. As with any supply and demand situation when demand exceeds supply it becomes a sellers market.

While BERL and the Statistics New Zealand Construction price index made available after balance date are pointing to potential significant price increases, Invercargill has not had any significant works completed during the last year to give us an indication whether the price increases are directly affecting the local industry or are more focused in the more competitive environments elsewhere in New Zealand. Under PBE IPSAS 17 "When the indexed price method is used, judgement is required to determine whether production technology has changed significantly over the period, and whether the capacity of the reference asset is the same as that of the asset being valued." Fundamentally the nature of assets in three waters has not significantly changed and the methods have not significantly altered over the last two years. Council's current process for the infrastructural assets is to be revalued at replacement cost every three years, but the valuation needs to remove significant fluctuations in the market to provide a sustainable change in value. At this stage it is unclear whether the current market increases are sustainable, so Council will be considering a more frequent revaluation process specific to the infrastructural assets until we better understand the fluctuations and see a more stable market.

Given the current uncertainties, management consider that the current book value of infrastructural assets is reflective of the fair value of the assets.

Operational land and buildings are also due to be revalued in 2022. Quotable Value have provided the Council with an indication of market movements for operational land and buildings since 30 June 2019. This analysis indicates that the market value of buildings has moved between (2.2)% to 2.8% and the movement in land value between 21.48% to 31.05%. The land movement has been calculated based on comparable sales evidence and published statistics. Many of the land sales since the revaluation were part of major redevelopments within the city and may have been transacted at a premium. The macro-economic impact of COVID has also impacted the property market and will have impacted on property value. While the percentage increases are large, management do consider that the current value of land and buildings reflects their fair value.

### 13 Property, plant and equipment (continued)

#### Core infrastructure asset disclosures

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

|  | Closing book<br>value<br>(\$000) | Additions:<br>constructed<br>by Council<br>(\$000) | Additions:<br>transferred<br>to Council<br>(\$000) | Most recent<br>replacement<br>cost<br>estimate<br>for revalued<br>assets<br>(\$000) |
|--|----------------------------------|--|--|---|
| <b>2021</b>  |                                  |  |  |   |
| Roads, bridges and footpaths                         | 234,061                          | 9,113  | -  | 514,254   |
| Stormwater systems                                   | 172,350                          | 631  | -  | 481,859   |
| Wastewater systems - Treatment plants and facilities | 24,792                           | 40   | -  | 61,180  |
| Wastewater systems - Other assets                    | 94,605                           | 2,206  | -  | 250,249   |
| Water systems - Treatment plants and facilities      | 17,805                           | 266  | -  | 63,724  |
| Water systems - Other assets                         | 127,508                          | 2,291  | -  | 216,584   |
| Land under roads                                     | 45,046                           | -  | -  | 159,972   |
|  | <b>716,167</b>                   | <b>14,547</b>                                      | <b>-</b>   | <b>1,747,822</b>  |
| <b>2020</b>  |                                  |  |  |   |
| Roads, bridges and footpaths                         | 234,791                          | 6,945  | -  | 514,254   |
| Stormwater systems                                   | 175,592                          | 1,443  | -  | 481,859   |
| Wastewater systems - Treatment plants and facilities | 25,814                           | 60   | -  | 61,180  |
| Wastewater systems - Other assets                    | 95,416                           | 780  | -  | 250,249   |
| Water systems - Treatment plants and facilities      | 18,219                           | 346  | -  | 63,724  |
| Water systems - Other assets                         | 128,593                          | 2,787  | -  | 216,584   |
| Land under roads                                     | 45,046                           | -  | -  | 159,972   |
|  | <b>723,471</b>                   | <b>12,361</b>                                      | <b>-</b>   | <b>1,747,822</b>  |

### 13 Property, plant and equipment (continued)

#### Insurance of assets

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

|   | <b>Council<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Actual<br/>2020<br/>(\$000)</b> |
|---|--|--|
| Total value of all assets that are covered by insurance contracts                 | 1,330,639                                      | 1,268,592                                      |
| Maximum amount to which these assets are insured                                  | 1,359,297                                      | 1,298,279                                      |
| 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.



### 13 Property, plant and equipment (continued)

#### Work in progress

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

|                                | <b>Council<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Actual<br/>2020<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2020<br/>(\$000)</b> |
|--------------------------------|--|--|--|--|
| Buildings                      | 1,349  | 2,303  | 1,420  | 2,355  |
| Network assets                 | -  | -  | 2,777  | 2,675  |
| Plant and equipment            | 27   | 246  | 27   | 246  |
| Motor vehicles                 | 27   | -  | 27   | -  |
| Furniture and fittings         | -  | 15   | -  | 15   |
| Roads, bridges and footpaths   | 1,349  | 724  | 1,349  | 724  |
| Stormwater systems             | 2,630  | 573  | 2,630  | 573  |
| Wastewater systems             | 1,218  | 197  | 1,218  | 197  |
| Water systems                  | 599  | -  | 599  | -  |
| Restricted buildings           | 15   | 15   | 15   | 15   |
| Monuments and statues          | 6  | -  | 6  | -  |
| Hard surfaces and appurtenance | 49   | -  | 49   | -  |
| <b>Total work in progress</b>  | <b>7,269</b>                                   | <b>4,073</b>                                   | <b>10,117</b>                                | <b>6,800</b>                                 |



## 14 Intangible assets

### Council

|  | Computer Software<br>(\$000) | Carbon credits<br>(\$000) | Total<br>(\$000) |
|--|------------------------------|---------------------------|------------------|
| <b>Cost</b>                                |                              |                           |                  |
| Balance at 1 July 2019                     | 1,796                        | 746                       | 2,542            |
| Change in fair value                       | -                            | 288                       | 288              |
| Balance at 30 June, 2020                   | 1,796                        | 1,034                     | 2,830            |
| Additions                                  | 1,021                        | -                         | 1,021            |
| Change in fair value                       | -                            | 367                       | 367              |
| Balance at 30 June, 2021                   | 2,817                        | 1,401                     | 4,218            |
| <b>Amortisation and impairment charges</b> |                              |                           |                  |
| Balance at 1 July, 2019                    | 1,532                        | -                         | 1,532            |
| Amortisation for the year                  | 79                           | -                         | 79               |
| Balance at 30 June, 2020                   | 1,611                        | -                         | 1,611            |
| Amortisation for the year                  | 178                          | -                         | 178              |
| Balance at 30 June, 2021                   | 1,789                        | -                         | 1,789            |
| <b>Net book value</b>                      |                              |                           |                  |
| Balance at 30 June, 2021                   | 1,028                        | 1,401                     | 2,429            |
| Balance at 30 June, 2020                   | 185                          | 1,034                     | 1,219            |
| <b>Work in progress</b>                    |                              |                           |                  |
| Balance at 30 June, 2021                   | 108                          | -                         | 108              |
| Balance at 30 June, 2020                   | 383                          | -                         | 383              |

### 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.

## 14 Intangible assets (continued)

|  | Group               |                                 |                              |                  |
|--|---------------------|---------------------------------|------------------------------|------------------|
|  | Goodwill<br>(\$000) | Computer<br>Software<br>(\$000) | Carbon<br>credits<br>(\$000) | Total<br>(\$000) |
| <b>Cost</b>                                |                     |                                 |                              |                  |
| Balance at 1 July 2019                     | 641                 | 1,796                           | 1,066                        | 3,503            |
| Additions                                  | -                   | -                               | 1,082                        | 1,082            |
| Change in fair value                       | -                   | -                               | 2,081                        | 2,081            |
| Balance at 30 June 2020                    | 641                 | 1,796                           | 4,229                        | 6,666            |
| Additions/Disposal                         | -                   | 1,021                           | (3,195)                      | (2,174)          |
| Change in fair value                       | -                   | -                               | 367                          | 367              |
| Balance at 30 June 2021                    | 641                 | 2,817                           | 1,401                        | 4,859            |
| <b>Amortisation and impairment charges</b> |                     |                                 |                              |                  |
| Balance at 1 July 2019                     | 641                 | 1,532                           | -                            | 2,173            |
| Amortisation for the year                  | -                   | 79                              | -                            | 79               |
| Balance at 30 June 2020                    | 641                 | 1,611                           | -                            | 2,252            |
| Amortisation for the year                  | -                   | 178                             | -                            | 178              |
| Balance at 30 June 2021                    | 641                 | 1,789                           | -                            | 2,430            |
| <b>Net book value</b>                      |                     |                                 |                              |                  |
| Balance at 30 June, 2021                   | -                   | 1,028                           | 1,401                        | 2,429            |
| Balance at 30 June, 2020                   | -                   | 185                             | 4,229                        | 4,414            |
| <b>Work in progress</b>                    |                     |                                 |                              |                  |
| Balance at 30 June, 2021                   | -                   | 108                             | -                            | 108              |
| Balance at 30 June, 2020                   | -                   | 383                             | -                            | 383              |

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



## 15 Biological assets

|   | <b>Council</b>  | <b>Group</b>    |
|---|-----------------|-----------------|
|   | <b>Forestry</b> | <b>Forestry</b> |
|   | <b>(\$000)</b>  | <b>(\$000)</b>  |
| Balance at 1 July 2019                                  | 3,156           | 27,404          |
| Acquisitions  | -               | (1,014)         |
| Forest assets logged at cost                            | (30)            | (258)           |
| Forest assets held for sale                             | 492             | 8,527           |
| Change in fair value less estimated point-of-sale costs | -               | (31,041)        |
| Balance at 30 June, 2020                                | <u>3,618</u>    | <u>3,618</u>    |
| Balance at 1 July 2020                                  | 3,618           | 3,618           |
| Forest assets logged at cost                            | (151)           | (151)           |
| Change in fair value less estimated point-of-sale costs | 555             | 555             |
| Balance at 30 June 2021                                 | <u>4,022</u>    | <u>4,022</u>    |

At 30 June 2021 standing timber comprised approximately 602 hectares (2020: 639 hectares) of plantations at one location, which range from newly established plantations to plantations that are 50 years old. In 2020 the Council's group included a further 3,301 hectares at sixteen different locations.

The forests are valued annually effective 30 June. The 2021 valuation was performed by Margules Groome. 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 implied pre-tax discount rate from actual transactions (2020: same method) The pre-tax discount rate chosen for the 2021 valuation of the Invercargill City Council's forests it is 7.5% (2020: 7.5%).
- 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.
- The valuation excludes land as the forests are situated on reserve land.

The Group's biological assets were sold during the 2020 financial year, while the parties had agreed the terms of sale of the estate prior to 30 June 2020 the sale was not completed until the 2021 financial year. The assets held for sale were reclassified as forestry assets held for sale. The recorded value reflects the terms of the negotiated sale less the costs to sell.

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.

## 15 Biological assets (continued)

### Emissions Trading Scheme

#### Pre-1990 Forests:

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 251.8 hectares of pre 1990 forest. Of this harvested land, 49.6 (2020: 41.4) hectares has not yet been replanted at 30 June 2021 and carries a potential deforestation liability of \$1,657,885 (2020:\$836,128) 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.



## 15 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, fire, lightning and snow damage.

## 16 Investment property

|  | <b>Council<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Actual<br/>2020<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2020<br/>(\$000)</b> |
|--|--|--|--|--|
| Balance at 1 July                                | 36,518   | 36,285   | 40,718                                       | 40,535                                       |
| Disposals  | (1,837)  | -  | (1,837)                                      | -  |
| Transfer to non-current assets held for resale   | (9,980)  | -  | (9,980)                                      | -  |
| Transfer (to) from property, plant and equipment | -  | 1  | -  | 1  |
| Change in fair value                             | 3,412  | 232  | 4,382  | 182  |
| Balance at 30 June                               | 28,113   | 36,518   | 33,283                                       | 40,718                                       |
| <b>Work in progress</b>                          |  |  |  |  |
| Investment property                              | 1,315  | 1,087  | 1,315  | 1,087  |
| Balance at 30 June                               | 1,315  | 1,087  | 1,315  | 1,087  |

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 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 2021 and 2020 valuations were performed by Robert Todd, an independent valuer from TelferYoung Limited. The valuer is an experienced valuer with extensive market knowledge of the types of investment properties owned by the Council.

Given the mix of asset classes and current tenure TelferYoung Limited assessed the risks associated with Covid-19 to be relatively low in comparison to other commercial/industrial properties.

The Group's investment properties are valued annually at fair value effective 30 June. All investment properties are related to Invercargill Airport Limited. For 2021 and 2020, all investment properties were valued based on the income approach and comparable sales approach except for two properties being less than 20% of the portfolio value. These two properties are planned to be replaced within the next two years (2020: next two years), 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 2021 and 2020 valuations were performed by Robert Todd, an independent valuer from TelferYoung Limited. The valuers are experienced with extensive market knowledge of the types of investment properties owned by the Group.

For 2020 due to the impact of Covid-19 and the severe market disruption and lack of transactional data, the valuation of investment properties has been reported on the basis of material uncertainty, meaning less certainty and a higher degree of caution should be applied. The following major inputs and assumptions were adopted:

- An explicit allowance for rent rebates has been calculated. This does not include an allowance for operating expenditure.
- The capitalisation rate adopted on rental car tenancies pre-Covid-19 has been softened by 50 points to price in the additional risks.
- With the exception of Hangars 1 and 2, yields have been softened by 25 points.
- Hangars 1 and 2 have a remaining useful life of two years.



## 16 Investment property (continued)

For 2021 there is no uncertainty applied to the valuation and the capitalisation rate has not been adjusted for any COVID-19 impacts. It has been assumed that Hangars 1 and 2 have a remaining useful life of two years.

A material change in tenancy or a tenant's ability to meet lease payments from those used in the valuation model, may be a material impact on the investment property values.

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.

Investment property is categorised as Level 3 in the fair value hierarchy.

### Reconciliation of net surplus on investment properties

|  | <b>Council<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Actual<br/>2020<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2020<br/>(\$000)</b> |
|--|--|--|--|--|
| Rental revenue derived from investment properties  | 1,218  | 1,045  | 1,218  | 1,045  |
| Direct operating expenses (including repairs and maintenance) generating rental revenue            | (327)  | (460)  | (327)  | (460)  |
| Direct operating expenses (including repairs and maintenance) that did not generate rental revenue | (861)  | (648)  | (861)  | (648)  |
| Surplus/(Deficit) arising from investment properties carried at fair value                         | 30   | (63)   | 30   | (63)   |

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.

## 17 Investment in associates

|   | <b>Percentage held<br/>by Group</b> |             | <b>Balance<br/>Date</b> |
|---|-------------------------------------|-------------|-------------------------|
|   | <b>2021</b>                         | <b>2020</b> |                         |
| <b>Associate entities</b>   |                                     |             |                         |
| Emergency Management Southland  | 28.3%                               | 25.9%       | 30-Jun                  |
| Southland Regional Heritage Committee                                 | 63.0%                               | 63.0%       | 30-Jun                  |
| Electricity Southland Limited   | 24.9%                               | 24.9%       | 31-Mar                  |
| HWCP Management Limited   | 49.9%                               | 49.9%       | 30-Jun                  |
| Southland Regional Development Agency Limited trading as Ggreat South | 48.7%                               | 18.8%       | 30-Jun                  |



## 17 Investment in associates (continued)

| Movements in carrying value of associates | <b>Group<br/>Actual<br/>2021<br/>\$000</b> | <b>Group<br/>Actual<br/>2020<br/>\$000</b> |
|---|--|--|
| Balance at 1 July                         | 5,323                                      | 2,088                                      |
| Share of profit/(loss)                    | (269)                                      | (126)                                      |
| Disposal of associates                    | -  | 3,361                                      |
| Balance at 30 June                        | 5,054                                      | 5,323                                      |

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

|   | Cash and cash<br>equivalents<br>(\$000) | Current<br>assets<br>(\$000) | Non-current<br>assets<br>(\$000) | Total<br>assets<br>(\$000) |
|---|---|------------------------------|----------------------------------|----------------------------|
| <b>2021</b>   |   |                              |                                  |                            |
| Emergency Management Southland  | -                                       | 196                          | -                                | 196                        |
| Southland Regional Heritage Committee                                   | 388                                     | 423                          | 10                               | 821                        |
| Electricity Southland Limited   | -                                       | 669                          | 33,796                           | 34,465                     |
| HWCP Management Limited   | -                                       | 5,748                        | 499                              | 6,247                      |
| Southland Regional Development Agency<br>Limited trading as Great South | 1,657                                   | 2,474                        | 1,729                            | 5,860                      |
|   | 2,045                                   | 9,510                        | 36,034                           | 47,589                     |
| <b>2020</b>   |   |                              |                                  |                            |
| Emergency Management Southland  | -                                       | 112                          | -                                | 112                        |
| Southland Regional Heritage Committee                                   | 246                                     | 411                          | 17                               | 674                        |
| Electricity Southland Limited   | -                                       | 758                          | 28,864                           | 29,622                     |
| HWCP Management Limited   | -                                       | 18,922                       | 500                              | 19,422                     |
| Southland Regional Development Agency<br>Limited trading as Great South | 1,829                                   | 506                          | 784                              | 3,119                      |
|   | 2,075                                   | 20,709                       | 30,165                           | 52,949                     |



| Current liabilities<br>(\$000) | Non-current liabilities<br>(\$000) | Total liabilities<br>(\$000) | Net assets<br>(\$000) |
|--------------------------------|------------------------------------|------------------------------|-----------------------|
| -                              | -                                  | -                            | 196                   |
| 396                            | -                                  | 396                          | 425                   |
| 2,223                          | 11,943                             | 14,166                       | 20,299                |
| 6,872                          | -                                  | 6,872                        | (625)                 |
| 3,494                          | 12                                 | 3,506                        | 2,354                 |
| 12,985                         | 11,955                             | 24,940                       | 22,649                |
| -                              | -                                  | -                            | 112                   |
| 142                            | -                                  | 142                          | 532                   |
| 1,891                          | 7,787                              | 9,678                        | 19,944                |
| 19,620                         | -                                  | 19,620                       | (198)                 |
| 1,687                          | 27                                 | 1,714                        | 1,405                 |
| 23,340                         | 7,814                              | 31,154                       | 21,795                |

## 17 Investment in associates (continued)

|   | Operating<br>revenue | Interest<br>revenue | Interest<br>expense | Depreciation   |
|---|----------------------|---------------------|---------------------|----------------|
| <b>2021</b>   | <b>(\$000)</b>       | <b>(\$000)</b>      | <b>(\$000)</b>      | <b>(\$000)</b> |
| Emergency Management Southland  | 1,379                | -                   | -                   | 20             |
| Southland Regional Heritage Committee                                   | 1,852                | 6                   | -                   | 6              |
| Electricity Southland Limited   | 3,182                | -                   | -                   | -              |
| HWCP Management Limited   | 15                   | -                   | -                   | -              |
| Southland Regional Development Agency<br>Limited trading as Great South | 7,746                | -                   | 2                   | 277            |
|   | <b>14,174</b>        | <b>6</b>            | <b>2</b>            | <b>303</b>     |
| <b>2020</b>   |                      |                     |                     |                |
| Emergency Management Southland  | 2,105                | -                   | -                   | 20             |
| Southland Regional Heritage Committee                                   | 1,714                | 17                  | -                   | 11             |
| Electricity Southland Limited   | 2,831                | -                   | -                   | -              |
| HWCP Management Limited   | 5,663                | -                   | -                   | -              |
| Southland Regional Development Agency<br>Limited trading as Great South | 4,406                | -                   | 1                   | 59             |
|   | <b>16,719</b>        | <b>17</b>           | <b>1</b>            | <b>90</b>      |

During the 2020 year, the Group acquired an additional 3,361,500 shares in Electricity Southland Limited, of the issue of 13,500,000 new shares.

The initial investment in HWCP Management Limited of \$200,000 has been reduced to nil after the share of losses have been recognised. Further losses of \$312,259 have not been recognised as the Groups share of the losses exceeds its interest in the associate.

The HWCP Management Limited associate has contingent liabilities as at 30 June 2021 of nil (2020: nil).

| Surplus (deficit)<br>before tax from<br>continuing<br>activities | Income<br>tax<br>expense | Total<br>comprehensive<br>income |
|--|--------------------------|----------------------------------|
| (\$000)  | (\$000)                  | (\$000)                          |
| 93   | -                        | 93                               |
| (106)  | -                        | (106)                            |
| 355  | -                        | 355                              |
| 426  | -                        | 426                              |
| 928  | 22                       | 950                              |
| 1,696  | 22                       | 1,718                            |

|       |      |       |
|-------|------|-------|
| (410) | -    | (410) |
| (63)  | -    | (63)  |
| 169   | -    | 169   |
| 4,868 | -    | 4,868 |
| (37)  | (30) | (67)  |
| 4,527 | (30) | 4,497 |

## 18 Investment in joint ventures and joint operations

| Joint ventures                             | Percentage held by Group |       | Balance Date |
|--|--------------------------|-------|--------------|
|  | 2021                     | 2020  |              |
| Venture Southland                          | 41.7%                    | 41.7% | 30-Jun       |
| 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       |
| Invercargill Central Limited               | 49.7%                    | 46.4% | 30-Jun       |

During the 2020 year the Group acquired the 46.4% shareholding in Invercargill Central Limited and in 2021 this investment increased to 49.7%.

In February 2020, the remaining 9.68% shareholding in PowerNet Central Ltd was purchased by PowerNet Ltd. Following the completion of the acquisition, PowerNet Central Ltd was amalgamated in PowerNet Ltd on 31 March 2020.

The Group holds a 25% voting right over OtagoNet Joint Venture.

Roaring Forties Energy Limited Partnership has a 50% interest in Southern Generation Limited Partnership.

In December 2020, Invercargill City Holdings Limited made an additional investment of \$13,500,000 in Invercargill Central Limited. This increased the investment from 46.4% to 49.7%.

In March 2021, the partners entered into a conditional agreement to purchase three Hydro Stations from The Lines Company in the Eastland and King Country area with an expected settlement date in July 2021.

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

|  | Cash and cash equivalents | Current assets | Non-current assets | Total assets |
|--|---------------------------|----------------|--------------------|--------------|
| 2021                                       | (\$000)                   | (\$000)        | (\$000)            | (\$000)      |
| Venture Southland                          | 182                       | -              | -                  | 182          |
| PowerNet Limited Group                     | 1,399                     | 23,689         | 36,658             | 61,746       |
| OtagoNet Joint Venture                     | -                         | 4,774          | 214,260            | 219,034      |
| Roaring Forties Energy Limited Partnership | -                         | 34             | 80,247             | 80,281       |
| Invercargill Central Limited               | -                         | 2,868          | 78,071             | 80,939       |
|  | 1,581                     | 31,365         | 409,236            | 442,182      |
| <b>2020</b>                                |                           |                |                    |              |
| Venture Southland                          | -                         | 179            | -                  | 179          |
| PowerNet Limited Group                     | 3,503                     | 25,679         | 36,095             | 65,277       |
| OtagoNet Joint Venture                     | -                         | 5,056          | 206,327            | 211,383      |
| Roaring Forties Energy Limited Partnership | -                         | 22             | 75,037             | 75,059       |
| Invercargill Central Limited               | -                         | 34,010         | 37,863             | 71,873       |
|  | 3,503                     | 64,946         | 355,322            | 423,771      |



| Current liabilities | Non-current liabilities | Total liabilities | Net assets |
|---------------------|-------------------------|-------------------|------------|
| (\$000)             | (\$000)                 | (\$000)           | (\$000)    |
| 3                   | -                       | 3                 | 179        |
| 12,583              | 44,851                  | 57,434            | 4,312      |
| 4,914               | 894                     | 5,808             | 213,226    |
| 30                  | -                       | 30                | 80,251     |
| 4,812               | -                       | 4,812             | 76,127     |
| 22,342              | 45,745                  | 68,087            | 374,095    |
| 46                  | -                       | 46                | 133        |
| 13,088              | 46,614                  | 59,702            | 5,575      |
| 7,850               | 687                     | 8,537             | 202,846    |
| 23                  | -                       | 23                | 75,036     |
| 18,039              | -                       | 18,039            | 53,834     |
| 39,046              | 47,301                  | 86,347            | 337,424    |

## 18 Investment in joint ventures and joint operations (continued)

|  | Operating<br>revenue | Interest<br>revenue | Interest<br>expense | Depreciation   |
|--|----------------------|---------------------|---------------------|----------------|
| <b>2021</b>                                | <b>(\$000)</b>       | <b>(\$000)</b>      | <b>(\$000)</b>      | <b>(\$000)</b> |
| Venture Southland                          | -                    | -                   | -                   | -              |
| PowerNet Limited Group                     | 81,349               | -                   | 1,511               | 3,424          |
| OtagoNet Joint Venture                     | 31,973               | -                   | -                   | -              |
| Roaring Forties Energy Limited Partnership | 4,306                | -                   | -                   | -              |
| Invercargill Central Limited               | 5                    | -                   | -                   | -              |
|  | 117,633              | -                   | 1,511               | 3,424          |
| <b>2020</b>                                |                      |                     |                     |                |
| Venture Southland                          | 421                  | -                   | -                   | -              |
| PowerNet Limited Group                     | 88,948               | 2                   | 2,092               | 3,592          |
| OtagoNet Joint Venture                     | 34,594               | -                   | -                   | -              |
| Roaring Forties Energy Limited Partnership | 9,280                | -                   | -                   | -              |
| Invercargill Cental Limited                | -                    | -                   | -                   | -              |
|  | 133,243              | 2                   | 2,092               | 3,592          |

Movements in carrying value of joint ventures:

|  | <b>Group<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2020<br/>(\$000)<br/>Restated</b> |
|--|--|---|
| Balance at 1 July                                    | 112,928                                      | 79,506  |
| Investments in joint ventures                        | 20,674                                       | 31,705  |
| Share of profit/(loss)                               | 4,311  | 5,372   |
| Revaluation gain on network assets                   | (5,731)                                      | 3,224   |
| Distributions from joint ventures                    | -  | (6,223)   |
| Capital distribution on liquidation of joint venture | -  | (656)   |
| Balance at 30 June                                   | 132,182                                      | 112,928   |

| Surplus (deficit)<br>before tax from<br>continuing<br>activities | Income tax<br>expense | Total<br>comprehensive<br>income |
|--|-----------------------|----------------------------------|
| (\$000)  | (\$000)               | (\$000)                          |
| 46   | -                     | 46                               |
| 2,694  | 645                   | 2,049                            |
| 10,060   | -                     | 10,060                           |
| 4,001  | -                     | 4,001                            |
| (1,207)  | -                     | (1,207)                          |
| 15,594   | 645                   | 14,949                           |

|        |     |        |
|--------|-----|--------|
| 285    | -   | 285    |
| 3,409  | 718 | 2,691  |
| 23,563 | -   | 23,563 |
| 8,962  | -   | 8,962  |
| (83)   | -   | (83)   |
| 36,136 | 718 | 35,418 |

### Joint operation

The Council has a joint arrangement with Southland District Council and Gore District Council for the collection and management of waste in the three local authority areas. The arrangement operates as a partnership with each of the local authorities utilising the centralised contracts and contributing based on the services received.

The Council's interest in Wastenet is as follows:

|                     | 2021<br>\$000 |
|---------------------|---------------|
| Current assets      | 1,289         |
| Current liabilities | 633           |
| Reserves            | 477           |
| Profit              | 179           |



## 19 Other financial assets

|   | Council<br>Actual<br>2021<br>(\$000) | Council<br>Actual<br>2020<br>(\$000) | Group<br>Actual<br>2021<br>(\$000) | Group<br>Actual<br>2020<br>(\$000) |
|---|--------------------------------------|--------------------------------------|------------------------------------|------------------------------------|
| <b>Current financial assets</b>                         |                                      |                                      |                                    |                                    |
| Loans to related parties                                | 160                                  | 15,000                               | 160                                | -                                  |
| Short term deposits                                     | 35,373                               | 36,193                               | 36,316                             | 37,168                             |
| Total current financial assets                          | 35,533                               | 51,193                               | 36,476                             | 37,168                             |
| <b>Non-current financial assets</b>                     |                                      |                                      |                                    |                                    |
| Loans to related parties                                | -                                    | 15,020                               | -                                  | -                                  |
| LGFA Borrower notes                                     | 1,058                                | 1,040                                | 1,058                              | 1,040                              |
| Other investments                                       | 46                                   | 53                                   | 164                                | 191                                |
| Equity share investments                                | 1,108                                | 1,109                                | 1,108                              | 1,109                              |
| Total non-current financial assets                      | 2,212                                | 17,222                               | 2,330                              | 2,340                              |
| <b>Investments in CCOs and similar entities</b>         |                                      |                                      |                                    |                                    |
| Loans to subsidiary - Redeemable preference share value | 16,777                               | 16,777                               | -                                  | -                                  |
| Investment in subsidiary - Ordinary share value         | 59,792                               | 44,292                               | -                                  | -                                  |
|   | 76,569                               | 61,069                               | -                                  | -                                  |

The redeemable preference shares are held in ICHL. The redeemable preference shares bear no interest or dividend payable unless Council notifies the Directors of ICHL prior to 31 August of each year that payment is required. The rate determined shall not exceed 5% above the 90 day Bank Settlement Rate as quoted on the Reuters Monitor screen page BKBM on the date fixed for redemption.

On a return of assets on liquidation or otherwise the assets of ICHL available for distribution amongst its members shall be applied first in repaying the holders of the redeemable preference shares the amounts paid up on the redeemable preference share, and the balance of such assets subject to any special rights which may be attached to any other class of shares shall be distributed in accordance with the ICHL's constitution.

On 8 July 2021 ICHL issued a redemption notice in relation to the redeemable preference shares on issue and the shares were redeemed on 12 July 2021.

On 14 July 2021 ICHL issued a further 16,777,000 ordinary shares at \$1.00, to Council.



## 19 Other financial assets (continued)

|  | <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>2021</b>    | <b>2020</b>    | <b>2021</b>    | <b>2020</b>    |
|  | <b>(\$000)</b> | <b>(\$000)</b> | <b>(\$000)</b> | <b>(\$000)</b> |
| <b>Current derivative financial instruments</b>      |                |                |                |                |
| Interest rate swaps (cash flow hedges) - liabilities | -              | (72)           | (123)          | (175)          |
|  | -              | (72)           | (123)          | (175)          |
|  | -              | (72)           | (123)          | (175)          |
| <b>Non-current derivative financial instruments</b>  |                |                |                |                |
| Interest rate swaps (cash flow hedges) - liabilities | (1,904)        | (3,420)        | (6,161)        | (10,813)       |
|  | (1,904)        | (3,420)        | (6,161)        | (10,813)       |
| Total financial instruments                          | (1,904)        | (3,492)        | (6,284)        | (10,988)       |

### Short term investment

The carrying amount of term deposits approximates their fair value.

## 20 Trade and other payables

|   | <b>Council<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Actual<br/>2020<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2020<br/>(\$000)</b> |
|---|--|--|--|--|
| Trade payables                          | 3,709  | 8,184  | 3,934  | 8,745  |
| Accrued expenses                        | 8,204  | 2,760  | 9,216  | 4,167  |
| Amounts due to related parties          | -  | -  | 2,060  | 1,761  |
| Revenue in advance                      | 6,063  | 2,993  | 6,773  | 3,079  |
| Goods and services tax                  | 2,049  | -  | 2,179  | -  |
| <b>Total trade and other payables</b>   | <b>20,025</b>                                  | <b>13,937</b>                                  | <b>24,162</b>                                | <b>17,758</b>                                |
| <b>Total payables comprises:</b>        |  |  |  |  |
| Payables from non-exchange transactions | 4,560  | 2,995  |  |  |
| Payables from exchange transactions     | 15,465   | 10,942   |  |  |
| <b>Total trade and other payables</b>   | <b>20,025</b>                                  | <b>13,937</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.



## 21 Provisions

|                                     | <b>Council<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Actual<br/>2020<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2020<br/>(\$000)</b> |
|-------------------------------------|--|--|--|--|
| <b>Landfill aftercare provision</b> |  |  |  |  |
| Balance 1 July                      | 928  | 928  | 1,928  | 928  |
| Amounts used during the year        | -  | -  | (1,000)                                      | 1,000  |
| Balance at 30 June                  | 928  | 928  | 928  | 1,928  |
| Current                             | 112  | 112  | 112  | 1,112  |
| Non-current                         | 816  | 816  | 816  | 816  |
| Total provisions                    | 928  | 928  | 928  | 1,928  |

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.

Maintaining the provision at current levels is appropriate given the uncertainty around future consent requirements.

## 22 Employee benefit liabilities

|                                    | <b>Council<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Actual<br/>2020<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2020<br/>(\$000)</b> |
|------------------------------------|--|--|--|--|
| Accrued pay                        | 705  | 587  | 705  | 587  |
| Annual leave                       | 1,661  | 2,290  | 1,785  | 2,390  |
| Long service leave                 | 298  | 315  | 298  | 315  |
| Retirement gratuities              | 789  | 845  | 789  | 845  |
| Total employee benefit liabilities | 3,453  | 4,037  | 3,577  | 4,137  |
| Current                            | 2,601  | 2,877  | 2,688  | 2,977  |
| Non-current                        | 852  | 1,160  | 889  | 1,160  |
| Total employee benefit liabilities | 3,453  | 4,037  | 3,577  | 4,137  |

### Employee Entitlements

Annual leave, long service and some retirement gratuities are classified as current liabilities. Non-vested retirement and long service leave expected to be settled within 12 months of balance date are also classified as a current liability. All other employee entitlements are classified as a non-current liability.

### Non-Current Entitlements

The provision for retirement gratuities is an assessment of entitlements that may become due to employees in the future. The provision is affected by a number of estimates, including the expected length of service of employees and the timing of benefits being taken. Most of the liability is expected to be incurred over the next ten years.



## 23 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>2021</b>    | <b>2020</b>    | <b>2021</b>    | <b>2020</b>    |
|                     | <b>(\$000)</b> | <b>(\$000)</b> | <b>(\$000)</b> | <b>(\$000)</b> |
| <b>Current</b>      |                |                |                |                |
| Secured loans       | 522            | 15,314         | 85,676         | 15,361         |
| LGFA Debt           | 10,000         | 35,000         | 10,000         | 35,000         |
|                     | 10,522         | 50,314         | 95,676         | 50,361         |
| <b>Non-current</b>  |                |                |                |                |
| LGFA Debt           | 58,500         | 55,000         | 58,500         | 55,000         |
| Other secured loans | 20,200         | 20,200         | 20,200         | 106,171        |
|                     | 78,700         | 75,200         | 78,700         | 161,171        |
| Total borrowings    | 89,222         | 125,514        | 174,376        | 211,532        |

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 has reduced to \$10 million and renewed to 12 November 2022. The undrawn amount of this facility is \$10 million.

The Council's secured loans are largely issued at fixed rates of interest. The \$30 million of secured debt held at floating rate, the interest rate is reset quarterly based on the 90 day bank bill rate.

Council has issued \$88.5 million of bonds and notes (2020: \$100 million) and \$25 million of coupon securities, with security being a charge over the rates revenue of the issuer. Terms of the bonds are between one and eight years.

The debentures are at fixed and floating interest rates. The floating 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 of \$100 million, made up of \$35 million and \$65 million both maturing in August 2021. 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. The \$100 million facility has been subsequently replaced with a Local Government Funding Agency (LGFA) facility during August 2021.

## 23 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).

#### Council 2021

|  | <b>LGFA debt<br/>and Secured<br/>loans<br/>(\$000)</b> | <b>Total<br/>(\$000)</b> |
|--|--|--------------------------|
| Less than one year                               | 10,522   | 10,522                   |
| Later than one year but not more than five years | 58,500   | 58,500                   |
| Later than five years                            | 20,200   | 20,200                   |
|  | <u>89,222</u>  | <u>89,222</u>            |

#### Council 2020

|  | <b>LGFA debt<br/>and Secured<br/>loans<br/>(\$000)</b> | <b>Total<br/>(\$000)</b> |
|--|--|--------------------------|
| Less than one year                               | 50,314   | 50,314                   |
| Later than one year but not more than five years | 55,200   | 55,200                   |
| Later than five years                            | 20,000   | 20,000                   |
|  | <u>125,514</u>   | <u>125,514</u>           |

Interest rates on these Council secured loans have an effective interest rate of 1.70% (2020: 1.84%) with hedging refer Note 32. Other Group loans have an effective interest rate of 3.26% (2020: 3.41%) with hedging refer Note 32.



## 23 Borrowings (continued)

### Group 2021

|  | <b>LGFA debt<br/>and Secured<br/>loans<br/>(\$000)</b> | <b>Total<br/>(\$000)</b> |
|--|--|--------------------------|
| Less than one year                               | 95,676   | 95,676                   |
| Later than one year but not more than five years | 58,500   | 58,500                   |
| Later than five years                            | 20,200   | 20,200                   |
|  | 174,376  | 174,376                  |

### Group 2020

|  | <b>LGFA debt<br/>and Secured<br/>loans<br/>(\$000)</b> | <b>Total<br/>(\$000)</b> |
|--|--|--------------------------|
| Less than one year                               | 50,361   | 50,361                   |
| Later than one year but not more than five years | 140,791  | 140,791                  |
| Later than five years                            | 20,380   | 20,380                   |
|  | 211,532  | 211,532                  |

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



## 24 Deferred tax liabilities/(assets)

### Group

#### Movements in temporary differences during the year

|                               | Balance at<br>1 July 2019 | Recognised in<br>surplus or deficit | Recognised in<br>equity |
|-------------------------------|---------------------------|-------------------------------------|-------------------------|
|                               | (\$000)                   | (\$000)                             | (\$000)                 |
| Property, plant and equipment | 20,339                    | 77                                  | 903                     |
| Biological assets             | 3,836                     | 2,819                               | -                       |
| Carbon credits                | -                         | -                                   | 495                     |
| Investment property           | 336                       | (14)                                | -                       |
| Derivatives                   | (1,617)                   | -                                   | (481)                   |
| Provisions                    | -                         | (280)                               | -                       |
| Other items                   | 39                        | (5)                                 | -                       |
| Tax losses                    | (3,556)                   | (117)                               | -                       |
| Total movements               | 19,377                    | 2,480                               | 917                     |



| Balance at<br>30 June 2020 | Recognised in<br>surplus or deficit | Recognised in<br>equity | Balance at 30 June<br>2021 |
|----------------------------|-------------------------------------|-------------------------|----------------------------|
| (\$000)                    | (\$000)                             | (\$000)                 | (\$000)                    |
| 21,319                     | 145                                 | 1,879                   | 23,343                     |
| 6,655                      | (6,655)                             | -                       | -                          |
| 495                        | (495)                               | -                       | -                          |
| 322                        | 34                                  | -                       | 356                        |
| (2,098)                    | -                                   | 872                     | (1,226)                    |
| (280)                      | 280                                 | -                       | -                          |
| 34                         | 6                                   | -                       | 40                         |
| (3,673)                    | 3,585                               | -                       | (88)                       |
| 22,774                     | (3,100)                             | 2,751                   | 22,425                     |

## 25 Equity

|  | <b>Council</b> | <b>Council</b> | <b>Group</b>   | <b>Group</b>    |
|--|----------------|----------------|----------------|-----------------|
|  | <b>Actual</b>  | <b>Actual</b>  | <b>Actual</b>  | <b>Group</b>    |
|  | <b>2021</b>    | <b>2020</b>    | <b>2021</b>    | <b>Restated</b> |
|  | <b>(\$000)</b> | <b>(\$000)</b> | <b>(\$000)</b> | <b>Actual</b>   |
|  |                |                |                | <b>2020</b>     |
|  |                |                |                | <b>(\$000)</b>  |
| <b>Retained earnings</b>                                       |                |                |                |                 |
| As at 1 July   | 366,796        | 375,856        | 440,460        | 448,295         |
| Transfers to:  |                |                |                |                 |
| Restricted and non-restricted reserves                         | (38,343)       | (44,353)       | (38,343)       | (44,353)        |
| Transfers from:  |                |                |                |                 |
| Restricted and non-restricted reserves                         | 43,633         | 34,281         | 43,633         | 34,281          |
| Transfer of revaluation reserve to retained earnings           | -              | -              | 5,400          | (1,240)         |
| Surplus/(deficit) for the year                                 | 4,389          | 1,012          | 2,013          | 3,477           |
| As at 30 June  | 376,475        | 366,796        | 453,163        | 440,460         |
| <b>Restricted and non restricted reserves</b>                  |                |                |                |                 |
| As at 1 July   | 50,177         | 40,105         | 50,177         | 40,105          |
| Transfers to:  |                |                |                |                 |
| Retained earnings  | (43,633)       | (34,281)       | (43,633)       | (34,281)        |
| Transfers from:  |                |                |                |                 |
| Retained earnings  | 38,343         | 44,353         | 38,343         | 44,353          |
| As at 30 June  | 44,887         | 50,177         | 44,887         | 50,177          |
| <b>Hedging Reserve</b>   |                |                |                |                 |
| As at 1 July   | (3,493)        | (2,460)        | (8,892)        | (6,621)         |
| Other comprehensive revenue and expenses:                      |                |                |                |                 |
| Effective portion of changes in fair value of cash flow hedges | 1,589          | (1,033)        | 3,833          | (2,271)         |
| As at 30 June  | (1,904)        | (3,493)        | (5,059)        | (8,892)         |
| <b>Carbon credit revaluation reserve</b>                       |                |                |                |                 |
| As at 1 July   | 815            | 527            | 2,082          | 503             |
| Other comprehensive revenue and expenses:                      |                |                |                |                 |
| Change in fair value of carbon credits                         | 367            | 288            | 367            | 1,579           |
| Disposal of carbon credits                                     | -              | -              | (1,267)        | -               |
| As at 30 June  | 1,182          | 815            | 1,182          | 2,082           |
| <b>Asset revaluation reserves</b>                              |                |                |                |                 |
| As at 1 July   | 500,136        | 500,136        | 535,803        | 533,224         |
| Other comprehensive revenue and expenses:                      |                |                |                |                 |
| Revaluation gains/(losses)                                     | -              | -              | 4,784          | 2,629           |
| Transfer of revaluation reserve to retained earnings           | -              | -              | (4,133)        | (50)            |
| As at 30 June  | 500,136        | 500,136        | 536,454        | 535,803         |
| Asset revaluation reserves consist of:                         |                |                |                |                 |
| Land and buildings   | 65,536         | 65,536         | 70,580         | 69,929          |
| Library books  | 8,373          | 8,373          | 8,373          | 8,373           |
| Infrastructural assets   | 426,227        | 426,227        | 457,501        | 457,501         |
| Total asset revaluation reserve                                | 500,136        | 500,136        | 536,454        | 535,803         |
| Total other reserves   | 544,301        | 547,635        | 577,464        | 579,170         |

## 25 Equity (continued)

|  | Actual 2021                |                         |                          | Closing Balance<br>(\$000) |
|--|----------------------------|-------------------------|--------------------------|----------------------------|
|  | Opening Balance<br>(\$000) | Transfers In<br>(\$000) | Transfers Out<br>(\$000) |                            |
| <b>Restricted reserves</b>   |                            |                         |                          |                            |
| The reserves can only be used for designated purposes.   |                            |                         |                          |                            |
| Category A (Legal restriction)   | 132                        | 23                      | (60)                     | 95                         |
| The restriction is designated from a statute or legal document. These reserves restrictions include the capital and interest or revenue generated. |                            |                         |                          |                            |
| This reserve is related to the Parks activity and is to maintain the Feldwick Gates at Queens Park.  |                            |                         |                          |                            |
| Category B (Capital-only restriction)  | 4,716                      | 63                      |                          | 4,779                      |
| These reserves are invested in property that provides a financial return to ratepayers.  |                            |                         |                          |                            |
| (Investment Property, Library and Infrastructure activities)   |                            |                         |                          |                            |
| Category C (Specific purpose)  | 11,962                     | 291                     |                          | 12,253                     |
| 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.  |                            |                         |                          |                            |
| Council created reserves   | 33,367                     | 37,966                  | (43,573)                 | 27,760                     |
| To provide funding for the ongoing operations and replacement of assets in the future.   |                            |                         |                          |                            |
| (All activities)   |                            |                         |                          |                            |
|  | 50,177                     | 38,343                  | (43,633)                 | 44,887                     |



## 25 Equity (continued)

|   | Actual 2020     |              |               |                 |
|---|-----------------|--------------|---------------|-----------------|
|   | Opening Balance | Transfers In | Transfers Out | Closing Balance |
|   | (\$000)         | (\$000)      | (\$000)       | (\$000)         |
| <b>Restricted reserves</b>  |                 |              |               |                 |
| The reserves can only be used for the designated purposes.  |                 |              |               |                 |
| Category A (Legal restriction)<br>The restriction is designated from a statute or legal document. These reserves restrictions include the capital and interest or revenue generated.<br>This reserve is related to the Parks activity and is to maintain the Feldwick Gates at Queens Park. | 129             | 3            | -             | 132             |
| Category B (Capital only restriction)<br>These reserves are invested in property that provides a financial return to ratepayers<br>(Investment Property, Library and Infrastructure activities)   | 4,357           | 359          | -             | 4,716           |
| Category C (Specific purpose)<br>These reserves are to maintain and provide for improvements to separately identifiable areas.<br>(Parks, Crematorium and Cemetery, Community Centres, Waste and Infrastructure activities)   | 11,528          | 442          | (8)           | 11,962          |
| <b>Non-restricted reserves</b>  |                 |              |               |                 |
| The reserves can be used for purposes other than the purpose currently specified.   |                 |              |               |                 |
| Council Created Reserves<br>To provide funding for the ongoing operations and replacement of assets in the future. (All activities)   | -               | 34,303       | (936)         | 33,367          |
| Loss of service potential<br>To set aside funds for the replacement of assets in the future. (All activities)   | 13,202          |              | (13,202)      | -               |
| Development<br>To maintain and provide assets in identifiable areas. (Parks, Roding, and Water activities)  | 5,018           |              | (5,018)       | -               |
| Property<br>To provide for the purchase of properties. (Investment Property, and Infrastructure activities)   | 1,481           |              | (1,481)       | -               |
| Amenities<br>To provide funding for the ongoing operations of amenity areas. (Library, Museum, Pools, and Parks activities)   | 414             |              | (414)         | -               |
| Financial<br>To provide ongoing funding in a consistent manner for Council operations. (All activities)   | 13,088          |              | (13,088)      | -               |
| Community Board<br>To provide funding for Community Board areas for their activities and development of assets. (Democratic process activity)   | 134             |              | (134)         | -               |
| Economic Development<br>To develop economic growth in the city which will be funded by future activity. (Investment Property activity)  | (9,246)         | 9,246        | -             | -               |
|   | 40,105          | 44,353       | (34,281)      | 50,177          |

## 26 Reconciliation of net surplus (deficit) to net cash inflows (outflows) from operating activities

|   | Council<br>Actual<br>2021<br>(\$000) | Council<br>Actual<br>2020<br>(\$000) | Group<br>Actual<br>2021<br>(\$000) | Group<br>Actual<br>2020<br>(\$000) |
|---|--------------------------------------|--------------------------------------|------------------------------------|------------------------------------|
| Net surplus/(deficit) after taxation                        | 4,389                                | 1,012                                | 2,013                              | 5,927                              |
| <b>Add non-cash items:</b>                                  |                                      |                                      |                                    |                                    |
| Depreciation and amortisation of intangibles                | 28,594                               | 27,910                               | 35,363                             | 34,472                             |
| (Gain)/Loss on sale of assets                               | (1,131)                              | (459)                                | (1,131)                            | (323)                              |
| Change in fair value of biological assets                   | (555)                                | (492)                                | (555)                              | (8,527)                            |
| Change in fair value of investment property                 | (3,412)                              | (233)                                | (4,382)                            | (183)                              |
| Change in fair value of investments                         | (12)                                 | 273                                  | (12)                               | 273                                |
| Increase/(Decrease) in deferred taxation                    | -                                    | -                                    | (349)                              | 1,380                              |
| Biological assets - Cost of goods sold                      | 151                                  | 30                                   | 151                                | 258                                |
| Associate and Joint Venture post-acquisition profits        | -                                    | -                                    | (4,041)                            | (7,745)                            |
|   | 28,024                               | 28,041                               | 27,057                             | 25,532                             |
| <b>Add/(Less) movements in other working capital items:</b> |                                      |                                      |                                    |                                    |
| (Increase)/Decrease in stock, receivables and WIP           | 240                                  | (3,221)                              | 131                                | (1,806)                            |
| Increase/(Decrease) in sundry creditors                     | 7,554                                | 3,398                                | 4,184                              | 2,972                              |
| (Increase)/Decrease in GST and taxation                     | (2,847)                              | 98                                   | (2,847)                            | 1,245                              |
|   | 4,947                                | 275                                  | 1,468                              | 2,411                              |
| Net cash from operating activities                          | 32,971                               | 28,316                               | 28,525                             | 27,943                             |



## 27 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 (removed from register in August 2021) 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 is the ultimate parent of the Group. Details of subsidiaries and associates over which Council has significant influence, are set out on the Group Structure and Council Controlled Organisation section of the Annual Report.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship and on terms and conditions no more or less favourable than those that is reasonable to expect the Council and Group would have adopted in dealing with the party at arm's length in the same circumstances.

Related party disclosures have also not been made for transactions with entities within the Council group (such as funding and financing flows), where the transactions are consistent with the normal operating relationships between the entities and are on normal terms and conditions for such group transactions.

The Council provides grants and operational funding to a number of group entities and entities or organisations where the Mayor, Councillors or Executive Leadership team are members of the organisations or their governing bodies. Such funding is agreed by Council on the same basis as other organisations with no such direct links.

At 30 June 2021, Sir Tim Shadbolt had an account with Council that had a balance owing to him of \$135.

### Provision of accounting/administration services

The Council provided accounting, administrative and IT services to the group entities listed below. The Council does not provide such services to non-group entities.

| Group Entity   | 2021                      |                         | 2020                      |                         |
|--|---------------------------|-------------------------|---------------------------|-------------------------|
|  | Services to CCO's (\$000) | 30 June Balance (\$000) | Services to CCO's (\$000) | 30 June Balance (\$000) |
| Invercargill City Holdings Limited   | 324                       | -                       | 324                       | -                       |
| Invercargill City Forests Limited<br><i>(removed from register in August 2021)</i> | 13                        | -                       | 22                        | -                       |
| Invercargill Airport Limited   | 70                        | -                       | 77                        | -                       |
| Invercargill Venue & Events Management Limited                                     | -                         | -                       | 101                       | -                       |
| Invercargill City Charitable Trust   | 6                         | -                       | -                         | -                       |
| Southland Museum and Art Gallery   | 2,196                     | 20                      | 2,139                     | -                       |
| Invercargill Central Limited   | 876                       | 35                      | 150                       | 169                     |
| Southland Regional Heritage Committee  | 2                         | -                       | 10                        | -                       |
| PowerNet Limited   | 10                        | 2                       | 10                        | -                       |



## 27 Related party transactions (continued)

The Council has provided a number of grants / subsidies to the group entities, and some of these are considered non-arm's length transactions. These grants are outlined in the table below:

| Group Entity   | Actual<br>2021<br>(\$000) | Actual<br>2020<br>(\$000) | Reason for<br>non-arm's length |
|--|---------------------------|---------------------------|--------------------------------|
| Emergency Management Southland                                       | 337                       | 334                       | Non-contestable funding        |
| Southland Indoor Leisure Centre Charitable Trust                     | 700                       | 700                       | Non-contestable funding        |
| Southland Museum and Art Gallery Trust                               | 997                       | 978                       | Non-contestable funding        |
| Southland Regional Heritage Committee                                | 956                       | 923                       | Non-contestable funding        |
| Southland Regional Development Agency Limited trading as Great South | 1,638                     | 1,660                     | Non-contestable funding        |
| Invercargill Public Art Gallery                                      | 253                       | 218                       | Non-contestable funding        |

### Other commercial contracts

The Council has a contract with the Wastenet Joint Arrangement for waste collection and management. This contract was not tendered. In 2020/21 the Council paid \$6.260 million (2019/20:\$6.410 million) to Wastenet and at year end \$0.5 million (2020:\$0.9 million) was outstanding.

### Subventions

The final Council tax position for the 2020 tax year resulted in Council transferring losses of \$5.299 million (2019: \$4.167 million) This comprised a loss offset of \$3.837 million and a subvention payment of \$1.492 million to other group companies.

### Key management personnel

Details of transactions between Council and key management personnel are disclosed as part of Note 30 Remuneration.



## 28 Capital commitments and operating leases

### Commitments

|   | <b>Council<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Actual<br/>2020<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2020<br/>(\$000)</b> |
|---|--|--|--|--|
| Capital expenditure - Infrastructure  | 6,102  | 675  | 6,102  | 675  |
| Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment | 326  | 1,343  | 3,504  | 4,558  |
| <b>Total commitments</b>  | <b>6,428</b>                                   | <b>2,018</b>                                   | <b>9,606</b>                                 | <b>5,233</b>                                 |

### Investment commitments - ICHL

In March 2021, ICHL Group entered into a conditional agreement to purchase three small hydro stations from the Lines Company Ltd in the Eastland and King Country area. Settlement is expected to occur in July 2021.

### Other commitments

The Group has a conditional commitment as at 31 March 2021 of \$415,000 (2020: \$415,000). This relates to an agreement with Smart Co for the Group to provide a subordinated loan to Smart Co once a number of terms have been met.

### Operating leases as lessor

The Council leases its investment property under 53 operating leases. There are 17 leases that have a non-cancellable term of 21 years or more, 19 leases that range between 6 and 20 years, 2 leases from 2 to 5 years, and 15 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:

|   | <b>Council<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Restated<br/>Actual<br/>2020<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Group<br/>Restated<br/>Actual<br/>2020<br/>(\$000)</b> |
|---|--|---|--|---|
| <b>Non-cancellable operating leases as lessor</b>       |  |   |  |   |
| Not later than one year                                 | 1,245  | 1,229   | 1,723  | 1,626   |
| Later than one year and not later than five years       | 2,482  | 3,246   | 3,508  | 4,084   |
| Later than five years                                   | 868  | 1,156   | 1,015  | 1,297   |
| <b>Total non-cancellable operating leases as lessor</b> | <b>4,595</b>                                   | <b>5,631</b>  | <b>6,246</b>                                 | <b>7,007</b>  |

Council has restated its lease disclosures for 2020 to only show the minimum lease payments for confirmed renewal terms. The effect of the restatement is shown in the table below.



## 28 Capital commitments and operating leases (continued)

|   | <b>Council<br/>Before<br/>Restated<br/>2020<br/>(\$000)</b> | <b>Council<br/>Adjustment<br/>2020<br/>(\$000)</b> | <b>Council<br/>Restated<br/>2020<br/>(\$000)</b> | <b>Group<br/>Before<br/>Restated<br/>2020<br/>(\$000)</b> | <b>Group<br/>Adjustment<br/>2020<br/>(\$000)</b> | <b>Group<br/>Restated<br/>2020<br/>(\$000)</b> |
|---|---|--|--|---|--|--|
| <b>Non-cancellable operating leases as lessor</b> |   |  |  |   |  |  |
| Not later than one year                           | 1,403   | (174)  | 1,229  | 1,800   | (174)  | 1,626  |
| Later than one year and not later than five years | 4,613   | (1,367)  | 3,246  | 5,451   | (1,367)  | 4,084  |
| Later than five years                             | 15,266  | (14,110)   | 1,156  | 15,407  | (14,110)   | 1,297  |
| Total non-cancellable operating leases as lessor  | 21,282  | (15,651)   | 5,631  | 22,658  | (15,651)   | 7,007  |

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.

### Operating leases as lessor

The Council leases its other property under operating leases. There are four properties with terms of one year (one), two to five years (one) and five plus years is two properties.

The Group leases its property under operating leases. The majority of these leases are casual short-term leases. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

|   | <b>Council<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Actual<br/>2020<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2020<br/>(\$000)</b> |
|---|--|--|--|--|
| <b>Non-cancellable operating leases as lessor</b> |  |  |  |  |
| Not later than one year                           | 156  | 239  | 156  | 239  |
| Later than one year and not later than five years | 208  | 205  | 208  | 205  |
| Later than five years                             | 386  | 389  | 386  | 389  |
| Total non-cancellable operating leases as lessor  | 750  | 833  | 750  | 833  |

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.

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

## 28 Capital commitments and operating leases (continued)

### Operating leases as lessee

The Council has leased 5 properties under operating leases in the normal course of its business. There are two leases which are yearly, two leases which have less than 5 years and one lease which is greater than 5 years.

The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

|   | <b>Council<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Restated<br/>Actual<br/>2020<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Group<br/>Restated<br/>Actual<br/>2020<br/>(\$000)</b> |
|---|--|---|--|---|
| <b>Non-cancellable operating leases as lessee</b> |  |   |  |   |
| Not later than one year                           | 261  | 344   | 261  | 344   |
| Later than one year and not later than five years | 368  | 497   | 368  | 497   |
| Later than five years                             | 67   | 117   | 67   | 117   |
| Total non-cancellable operating leases as lessee  | 696  | 958   | 696  | 958   |

Council has restated its lease disclosures for 2020 to only show the minimum lease payments for confirmed renewal terms. The effect of the restatement is shown in the table below.

|   | <b>Council<br/>Before<br/>Restated<br/>2020<br/>(\$000)</b> | <b>Council<br/>Adjustment<br/>2020<br/>(\$000)</b> | <b>Council<br/>Restated<br/>Actual<br/>2020<br/>(\$000)</b> | <b>Group<br/>Before<br/>Restated<br/>2020<br/>(\$000)</b> | <b>Group<br/>Adjustment<br/>2020<br/>(\$000)</b> | <b>Group<br/>Restated<br/>Actual<br/>2020<br/>(\$000)</b> |
|---|---|--|---|---|--|---|
| <b>Non-cancellable operating leases as lessee</b> |   |  |   |   |  |   |
| Not later than one year                           | 288   | 56   | 344   | 288   | 56   | 344   |
| Later than one year and not later than five years | 784   | (287)  | 497   | 784   | (287)  | 497   |
| Later than five years                             | 372   | (255)  | 117   | 372   | (255)  | 117   |
| Total non-cancellable operating leases as lessee  | 1,444   | (486)  | 958   | 1,444   | (486)  | 958   |

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.



## 29 Contingencies

The following contingent liabilities exist:

### Local Government Funding Agency

Invercargill City Council is a borrower and guarantor of the New Zealand Local Government Funding Agency Limited (LGFA). The LGFA was incorporated in December 2011 for the purpose of providing debt funding to local authorities in New Zealand. ICC has a current credit rating from Standard and Poor's of AAA+ as at 22nd February 2021.

The Council is one of 63 (2020: 52) local authority guarantors of the LGFA. The New Zealand Government has a 20% shareholding in the LGFA. When aggregated with the uncalled capital of other shareholders, \$20.00 million is available in the event that an imminent default is identified. The LGFA's loans to local authorities are \$13.61 billion (2020: \$11.9 billion), of which Invercargill City Council have borrowed \$68.5 million (2020: \$90 million). As a result, the Council and Group's cross-guarantee to other local authorities is \$13.54 billion (2020: \$11.81 billion).

PBE Accounting Standards require Council and Group to initially recognise the guarantee liability by applying the 12 month expected credit loss model (as fair value could not be reliably measured) and subsequently at the higher of the provision for impairment at balance date determined by the expected credit loss model and the amount initially recognised. At the end of the financial year, the Council and Group have assessed the 12 month expected credit losses of the guarantee liability, based on market information of the underlying assets held by the LGFA. The estimated 12 month expected credit losses are immaterial due to the extremely low probability of default by the LGFA in the next 12 months, and therefore, the Council and group have not recognised a liability.

The Council considers the risk of the LGFA defaulting on repayment of interest or capital to be very low on the basis that:

- it is not aware of any local authority debt default events in New Zealand; and
- local government legislation would enable local authorities to levy a rate to raise sufficient funds to meet any debt obligations if further funds were required.

### Carter Holt Harvey Limited

In 2018 a multimillion-dollar class action claim was filed by residential homeowners in respect of building products manufactured and supplied by CHH. CHH joined 29 councils, including Invercargill City Council, as third parties to the claim. However, the plaintiff homeowners discontinued their claim against CHH in June 2021. CHH is in the process of discontinuing its claim against the councils. Once the discontinuances are filed with the Court these proceedings will be at an end.

### 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).

## 29 Contingencies

The following contingent liabilities exist:

### Forestry

Invercargill City Council has harvested a total of 243.6 hectares of pre 1990 forest. Of this harvested land, 49.6 hectares (2020:41.4 hectares) has not yet been replanted at 30 June and carries a potential deforestation liability of \$1,657,885 (2020:\$836,128) 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 been removed from the Companies register as of August 2021 as its assets have been sold and distributed in accordance with its constitution. Invercargill City Forests Limited had harvested a total of 47 hectares of pre-1990 forest (2020: 47 hectares). This harvested land carried a potential deforestation liability in 2020 of \$801,713.

### Legal Costs Court case

The Council has a case before the courts for recovery of legal costs. The case is likely to be 8 months before a legal decision is determined. The potential contingent cost is up to \$600,000 to the Council if the case is lost. The court proceeding process has to occur to determine the extent of liability, if any.

### Asbestos

Invercargill City Council has identified areas where asbestos is present and is working through a planned approach for remediation of specific areas. This process involves an independent survey of the contaminated area to determine both the extent of the asbestos contamination and the approach used to remedy any potential risk, ranging from encapsulating the asbestos to contain it to removing it completely from various sites. As the remediation option is determined on a case by case basis, the impairment provision recognised on ICC buildings may not cover all the associated impact or costs.

### 3 Waters Reform Incentive Funding

At June 30, 2021 the Council has received \$3.02 million of 3 Waters incentive infrastructure funding of which \$2.8 million has been carried forward as Income in Advance. The New Zealand Government has granted an extension of time to June 2022 for these projects to be completed due to the August 2021 Covid 19 Lockdown. The remaining \$3.02 million of funding is to be received during the 2022 financial year. Council has service delivery timelines to meet to retain this funding.



## 29 Contingencies (continued)

### Shovel Ready Projects

At June 30, 2021 the Council has received \$1.024 million of Shovel Ready project funds for the Stead Street Stopbanks of which \$0.20 has been carried forward as Income in Advance. A further \$2.87 million has been invoiced after balance date, from the total project approved funds of \$10.8 million leaving a balance of \$6.91 million applicable to following years. Council has service delivery timelines to meet to retain this funding.

### Holidays Act 2003

A number of New Zealand's public and private organisations have identified issues with the calculation of leave entitlements under the Holidays Act 2003 ("the Act").

For employers such as the Council that have workforces that include differential occupational groups with complex entitlements, non-standard hours, allowances and/or overtime, the process of assessing non-compliance with the Act and determining if any additional payment is required, is time consuming and complicated.

The remediation project is a significant undertaking and work to assess and amend all non-compliance has continued through the 2020/21 financial year. The review process is expected to be completed in the next 12 months, although Council readiness and availability of resources may impact this timeframe. The final outcome of the remediation project and timeline addressing any non-compliance will not be determined until this work is completed.

## 29 Group Contingent Liabilities

The following contingent liabilities exist:

### Airport

A \$500,000 grant from the Provincial Growth Fund was received. The grant was in recognition that Air New Zealand was to commence a 12 month pilot of scheduled jet services from Auckland to Invercargill on 25 August 2019 and Invercargill Airport needed to rapidly deliver urgent airside and non-airside upgrades to handle the scheduled jet services.

A contingency for repayment exists for a 10 year term from 31 October 2019 if Invercargill Airport either:

- sells, disposes or transfers the asset without the Ministry's prior written consent; or
- the asset will no longer be used for the purposes intended.

### Rugby Park Stadium

The Invercargill City Charitable Trust Board which owns Rugby Park Stadium has an in principle agreement to transfer the asset to the Council. Council thru the Trust Board has received a report identifying the west-end stand as being unsafe and seismic strengthening work is required, also identified is 75% of the seats in this section of the stadium have suffered UV light deterioration and require immediate replacement. The Council in the Long Term Plan has agreed to provide \$4,900,000 to make Rugby Park a structurally sound and flexible use facility. Council and the Invercargill City Charitable Trust Board are negotiating terms of settlement.

### Contingent assets

There were no contingent assets as at 30 June, 2021 (2020: Nil).



### 30 Remuneration

#### Key management personnel

Key management personnel of the Council include: The Chief Executive, Councillors and Executive Leadership Team.

Key management personnel did not receive any remuneration or compensation other than in their capacity as key management personnel (2020: \$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 (2020: \$Nil).

The Council did not provide any loans to key management personnel or their close family members (2019: \$Nil).

The Council has appointed two External Appointees to support elected members. The appointees, Jeff Grant and Lindsay McKenzie are not considered key management personnel nor are they considered elected members.

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

| Remuneration                    | <b>Council<br/>Actual<br/>2021<br/>\$</b> | <b>Council<br/>Actual<br/>2020<br/>\$</b> | <b>Group<br/>Actual<br/>2021<br/>\$</b> | <b>Group<br/>Actual<br/>2020<br/>\$</b> |
|---------------------------------|---|---|---|---|
| Short-term employee benefits    | 2,394,988                                 | 2,060,830                                 | 2,740,988                               | 2,336,830                               |
| Vehicle (market value plus FBT) | 51,069                                    | 60,252                                    | 51,069                                  | 60,252                                  |
| Retirement benefits             | 41,050                                    | 34,188                                    | 41,050                                  | 34,188                                  |
| Directors' fees                 | -   | -   | 452,000                                 | 580,000                                 |
| <b>Total remuneration</b>       | <b>2,487,107</b>                          | <b>2,155,270</b>                          | <b>3,285,107</b>                        | <b>3,011,270</b>                        |

Number of persons recognised as key management personnel

|   | <b>Council<br/>Actual<br/>2021<br/>\$</b> | <b>Council<br/>Actual<br/>2020<br/>\$</b> | <b>Group<br/>Actual<br/>2021<br/>\$</b> | <b>Group<br/>Actual<br/>2020<br/>\$</b> |
|---|---|---|---|---|
| Councillors or directors                                  | 19  | 18  | 36                                      | 33                                      |
| Executive Leadership Team (including the Chief Executive) | 10  | 7   | 10                                      | 7                                       |
| <b>Total key management personnel</b>                     | <b>29</b>                                 | <b>25</b>                                 | <b>46</b>                               | <b>40</b>                               |



### 30 Remuneration (continued)

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

|  | <b>Council<br/>Actual<br/>2021<br/>\$</b> | <b>Council<br/>Actual<br/>2020<br/>\$</b> |
|--|---|---|
| <b>C V Hadley (appointed March 2018) - Chief Executive</b> |   |   |
| Short-term employee benefits                               | 308,538                                   | 304,729                                   |
| Vehicle (market value plus FBT)                            | 12,745                                    | 19,739                                    |
| Retirement benefits  | 9,256                                     | 9,310                                     |
|  | 330,539                                   | 333,778                                   |

The Chief Executive has foregone \$24,000 (2020:\$6,000) remuneration over a six month period as a reflecton of Covid-19 impacts on all Council staff. The funds held by Council were applied to resource and building consent costs for the Southland Charity Hospital.

#### Invercargill City Council Executive Leadership Team

|                                 | <b>Council<br/>Actual<br/>2021<br/>\$</b> | <b>Council<br/>Actual<br/>2020<br/>\$</b> |
|---------------------------------|---|---|
| Short-term employee benefits    | 1,425,304                                 | 1,089,139                                 |
| Vehicle (market value plus FBT) | 23,923                                    | 26,230                                    |
| Retirement benefits             | 31,794                                    | 24,878                                    |
|                                 | 1,481,021                                 | 1,140,247                                 |



### 30 Remuneration (continued)

#### Elected representatives

Elected representatives received the following remuneration:

|                                 | <b>Council<br/>Actual<br/>2021<br/>\$</b> | <b>Council<br/>Actual<br/>2020<br/>\$</b> |
|---------------------------------|---|---|
| <b>Sir T R Shadbolt (Mayor)</b> |   |   |
| Short-term employee benefits    | 129,143                                   | 129,541                                   |
| Vehicle (market value plus FBT) | 14,401                                    | 14,283                                    |
|                                 | <u>143,544</u>                            | <u>143,824</u>                            |

In 2015 the Council purchased a Chrysler 300C as the Mayor's vehicle. The Mayor has full private use of the vehicle. The vehicle's annual value for the purpose of determining remuneration is \$29,118.

#### Councillors

|                                    |                |                |
|------------------------------------|----------------|----------------|
| W S Clark (Deputy Mayor)           | 50,490         | 31,612         |
| R L Abbott                         | 39,622         | 47,991         |
| R R Amundsen                       | 45,865         | 45,433         |
| A J Arnold                         | 39,622         | 43,808         |
| T M Biddle (resigned October 2020) | 18,604         | 49,186         |
| A H Crackett                       | 43,486         | 37,321         |
| P W Kett                           | 39,622         | 25,389         |
| G D Lewis                          | 39,622         | 37,321         |
| D J Ludlow                         | 49,283         | 43,688         |
| M Lush (appointed February 2021)   | 12,845         | -              |
| I R Pottinger                      | 49,181         | 48,330         |
| N D Skelt                          | 39,622         | 25,389         |
| L F Soper                          | 38,438         | 36,599         |
| K F Arnold                         | -              | 11,932         |
| I L Esler                          | -              | 11,932         |
| L S Thomas                         | -              | 15,937         |
|                                    | <u>506,302</u> | <u>511,868</u> |

#### Community Board members

Bluff:

|   |                |                |
|---|----------------|----------------|
| R J C Fife                                  | 8,567          | 8,455          |
| G V Henderson                               | 4,284          | 4,273          |
| G A Laidlaw                                 | 4,284          | 4,275          |
| N J Peterson                                | 4,284          | 2,864          |
| T M Topi                                    | 4,284          | 2,864          |
| W E Glassey                                 | -              | 1,411          |
| P A Young                                   | -              | 1,411          |
|   | <u>25,703</u>  | <u>25,553</u>  |
| Total elected representatives' remuneration | <u>675,549</u> | <u>681,245</u> |

### 30 Remuneration (continued)

#### Council employees

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

|                       | <b>Actual<br/>2021</b> |
|-----------------------|------------------------|
| < \$60,000            | 299                    |
| \$60,000 - \$79,999   | 92                     |
| \$80,000 - \$99,999   | 39                     |
| \$100,000 - \$119,999 | 10                     |
| \$120,000 - \$139,999 | 9                      |
| \$140,000 - \$159,999 | 7                      |
| \$160,000 - \$239,999 | 8                      |
| \$240,000 - \$360,999 | 1                      |
|                       | <hr/> 465 <hr/>        |
|                       | <b>Actual<br/>2020</b> |
| < \$60,000            | 270                    |
| \$60,000 - \$79,999   | 88                     |
| \$80,000 - \$99,999   | 24                     |
| \$100,000 - \$119,999 | 10                     |
| \$120,000 - \$159,999 | 9                      |
| \$160,000 - \$360,999 | 6                      |
|                       | <hr/> 407 <hr/>        |

Total remuneration includes non-financial benefits provided to employees.

At balance date the Council employed 267 (2020: 270) full time employees, with the balance of staff representing 64 (2020: 65) full time equivalent employees. A full time employee is determined on the basis of a 40 hour working week.



## 31 Events after balance date

### Sale of Investment Property

Investment properties located at Esk Street West were subject to an unconditional contract for sale. Settlement is scheduled for June 2022.

The Council's Awarua farm investment property has an unconditional contract for sale. Settlement is scheduled for June 2022. Council has retained the heritage portion of the property.

### Covid Lockdown

New Zealand returned to Alert Level 4 in August 2021 with a number of community cases from the "Delta" variant of COVID -19 introduced from New South Wales. The valuations prepared as at 30 June 2021 contained references to valuation uncertainty in light of COVID -19 generally and there remains significant pressure on the robustness of assumptions contained in the valuations.

The valuers of land and buildings and the Council's subsidiaries have both confirmed that the valuations provided as at 30 June 2021 remain valid despite the move to Level 4 in August 2021

### 3 Waters Reform Announcements

In July 2020, the Government launched the Three Waters Reform Programme – a three year programme to reform local government three waters service delivery arrangements. Currently 67 different councils own and operate the majority of the drinking water, wastewater and stormwater services across New Zealand. The proposed reform programme is being progressed through a partnership-basis approach with the local government sector, alongside Iwi/Maori as the Crown's Treaty Partner. If the reform programme proceeds, it proposes to transfer the three-water delivery from the 67 councils to four Water Service Entities (WSEs). In June 2021, the Government announced the proposed regional boundaries for each entity A, B, C and D, which would manage water assets for the country. Council would belong to WSE 'D', along with 22 other Councils. The WSE would be independent with a separate Board of Directors and participating Councils would have no shareholding and no financial interest. At the date of this annual report being approved for issue there is still considerable uncertainty in respect of the extent of the likely outcomes and potential impacts on Council.

On 28 October 2021 the Government announced that legislation is to proceed early December 2021. Government intends to establish a working group comprised of local government, Iwi and water industry experts to progress how the entities will be governed. The four new water entities would take responsibility for water services in July 2024.

On 16 November 2021, a letter was sent to the Prime Minister on behalf of 30 Mayors and Councils across New Zealand to seek a meeting to address the now forced Three Waters Reform. There is a general consensus that the model now being mandated wasn't acceptable to Councils or our communities. We are seeking to meet with the Prime Minister to express this view and seek more viable approaches to Three Waters Reform.

### Invercargill Community Recreation & Sports Trust

Invercargill Community Recreation & Sports Trust has passed a resolution in August 2021 that the Active Fund would be transferred, in its entirety, to Active Southland. The fund, consisting of \$985,421 (term deposits and bank funds combined) will be transferred as the term deposits mature to Active Southland. The administration be taken over in October 2021. The final transfer of funds will occur 29 June 2022. The Creative Fund will be transferred to, and administered by Invercargill City Council. The Trust will be wound up by 30 June 2022.

### Invercargill City Holdings Limited

On 8 July 2021, ICHL issued a redemption notice in relation to the redeemable preference shares (RPS) on issue and the RPS were redeemed on 12 July 2021.

On 14 July 2021, ICHL issued a further 16,777,000 ordinary shares at \$1.00.

ICHL made additional investments in Invercargill Central Limited of \$2 million in July 2021 and \$2.7 million in August 2021.

### Invercargill Airport Limited

On 17 August 2021 New Zealand went into Alert Level 4 lockdown following the discovery of community transmission of COVID-19. The Airport's operations ceased during Level 4 and Level 3 restrictions with the exception of essential travel services.

The Airport had a reduction in revenue of more than 40% and claimed the wage subsidy from the Ministry of Social Development which mitigated some of the impact of lockdown. Upon entering Alert Level 2 the Airport was able to resume operations and the flight schedule has built to almost the pre-lockdown schedule with the exception of the Auckland jet which is not expected to resume until Auckland moves to Level 2.

### Invercargill City Forests Limited

Invercargill City Forests Limited was removed from the Companies register in August 2021 as its assets have been sold and distributed in accordance with its constitution.

### City Centre Streetscape

In July 2021 the Council approved a project for the upgrade of the City Centre Streetscape with a total value of \$18.3 million (2020:Nil).

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

## 32 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. Council has overall responsibility for the establishment and oversight of the Group's risk management framework.

### ▪ **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.

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash, short term investments, trade and receivables, foreign exchange transactions and other financial instruments.

The Council only invests funds 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.

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.

For counterparties with credit ratings, the cash at bank and deposits are held in banks with credit ratings from BBB to AA-. Derivative financial instrument 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 represents Council's and the Group's ability to meet their contractual obligations. Council and Group evaluate their liquidity requirements on an ongoing basis. In general, Council and the Group generate sufficient cash flows from their operating activities to meet their contractual obligations arising from their financial liabilities and have credit lines in place to cover potential shortfalls and meet capital expenditure requirements. 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.

The Council is exposed to liquidity risk as a guarantor of all of the LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. Information about this exposure is explained in Note 29.



## 32 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. The following tables detail the exposure to liquidity risk as at 30 June:

| Council 2021                               | Carrying amount<br>(\$'000) | Contractual cash flows<br>(\$'000) | Maturity dates       |                       |                       | Total<br>(\$'000) |
|--|-----------------------------|------------------------------------|----------------------|-----------------------|-----------------------|-------------------|
|  |                             |                                    | < 1 year<br>(\$'000) | 1-3 years<br>(\$'000) | > 3 years<br>(\$'000) |                   |
| <b>Financial assets</b>                    |                             |                                    |                      |                       |                       |                   |
| Cash, cash equivalents and bank overdrafts | 16,673                      | 16,673                             | 16,673               | -                     | -                     | 16,673            |
| Receivables                                | 11,376                      | 11,376                             | 11,376               | -                     | -                     | 11,376            |
| Equity share investments                   | 1,108                       | 1,108                              | -                    | -                     | 1,108                 | 1,108             |
| Short term other financial assets          | 35,533                      | 35,533                             | 35,373               | -                     | 160                   | 35,533            |
| Other investments                          | 17,881                      | 17,881                             | -                    | -                     | 17,881                | 17,881            |
| <b>Total financial assets</b>              | <b>82,571</b>               | <b>82,571</b>                      | <b>63,422</b>        | <b>-</b>              | <b>19,149</b>         | <b>82,571</b>     |
| <b>Financial liabilities</b>               |                             |                                    |                      |                       |                       |                   |
| Trade and other payables                   | 17,976                      | 17,976                             | 17,976               | -                     | -                     | 17,976            |
| Borrowings - secured loans                 | 89,222                      | 89,222                             | 10,522               | 58,500                | 20,200                | 89,222            |
| <b>Total financial liabilities</b>         | <b>107,198</b>              | <b>107,198</b>                     | <b>28,498</b>        | <b>58,500</b>         | <b>20,200</b>         | <b>107,198</b>    |
| <b>Group 2021</b>                          |                             |                                    |                      |                       |                       |                   |
|  | Carrying amount<br>(\$'000) | Contractual cash flows<br>(\$'000) | Maturity dates       |                       |                       | Total<br>(\$'000) |
|  |                             |                                    | < 1 year<br>(\$'000) | 1-3 years<br>(\$'000) | > 3 years<br>(\$'000) |                   |
| <b>Financial assets</b>                    |                             |                                    |                      |                       |                       |                   |
| Cash, cash equivalents and bank overdrafts | 25,896                      | 25,896                             | 25,896               | -                     | -                     | 25,896            |
| Receivables                                | 14,467                      | 14,467                             | 14,467               | -                     | -                     | 14,467            |
| Equity share investments                   | 1,108                       | 1,108                              | -                    | -                     | 1,108                 | 1,108             |
| Short term investments                     | 35,533                      | 35,533                             | 35,373               | -                     | 160                   | 35,533            |
| Other investments                          | 17,881                      | 17,881                             | -                    | -                     | 17,881                | 17,881            |
| <b>Total financial assets</b>              | <b>94,885</b>               | <b>94,885</b>                      | <b>75,736</b>        | <b>-</b>              | <b>19,149</b>         | <b>94,885</b>     |
| <b>Financial liabilities</b>               |                             |                                    |                      |                       |                       |                   |
| Trade and other payables                   | 21,920                      | 21,920                             | 21,920               | -                     | -                     | 21,920            |
| Finance lease payable                      | -                           | -                                  | -                    | -                     | -                     | -                 |
| Borrowings - secured loans                 | 19,153                      | 191,434                            | 112,734              | 58,500                | 20,200                | 191,434           |
| <b>Total financial liabilities</b>         | <b>41,073</b>               | <b>213,354</b>                     | <b>134,654</b>       | <b>58,500</b>         | <b>20,200</b>         | <b>213,354</b>    |

## 32 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 2020                               | Carrying amount<br>(\$000) | Contractual cash flows<br>(\$000) | Maturity dates      |                      |                      | Total<br>(\$000) |
|--|----------------------------|-----------------------------------|---------------------|----------------------|----------------------|------------------|
|  |                            |                                   | < 1 year<br>(\$000) | 1-3 years<br>(\$000) | > 3 years<br>(\$000) |                  |
| <b>Financial assets</b>                    |                            |                                   |                     |                      |                      |                  |
| Cash, cash equivalents and bank overdrafts | 26,505                     | 26,505                            | 26,505              | -                    | -                    | 26,505           |
| Receivables                                | 10,530                     | 10,530                            | 10,530              | -                    | -                    | 10,530           |
| Equity share investments                   | 1,109                      | 1,109                             | -                   | -                    | 1,109                | 1,109            |
| Short term investments                     | 51,193                     | 51,193                            | 51,193              | -                    | -                    | 51,193           |
| Other investments                          | 32,890                     | 32,890                            | -                   | -                    | 32,890               | 32,890           |
| Total financial assets                     | 122,227                    | 122,227                           | 88,228              | -                    | 33,999               | 122,227          |
| <b>Financial liabilities</b>               |                            |                                   |                     |                      |                      |                  |
| Trade and other payables                   | 13,937                     | 13,937                            | 13,937              | -                    | -                    | 13,937           |
| Borrowings - secured loans                 | 125,514                    | 96,707                            | 26,855              | 27,653               | 42,199               | 96,707           |
| Total financial liabilities                | 139,451                    | 110,644                           | 40,792              | 27,653               | 42,199               | 110,644          |
| <b>Group 2020</b>                          |                            |                                   |                     |                      |                      |                  |
|  | Carrying amount<br>(\$000) | Contractual cash flows<br>(\$000) | Maturity dates      |                      |                      | Total<br>(\$000) |
|  |                            |                                   | < 1 year<br>(\$000) | 1-3 years<br>(\$000) | > 3 years<br>(\$000) |                  |
| <b>Financial assets</b>                    |                            |                                   |                     |                      |                      |                  |
| Cash, cash equivalents and bank overdrafts | 30,389                     | 30,389                            | 30,389              | -                    | -                    | 30,389           |
| Receivables                                | 14,412                     | 12,854                            | 12,854              | -                    | -                    | 12,854           |
| Equity share investments                   | 1,109                      | 1,109                             | -                   | -                    | 1,109                | 1,109            |
| Short term investments                     | 37,168                     | 36,193                            | 36,193              | -                    | -                    | 36,193           |
| Other investments                          | 1,231                      | 2,088                             | 975                 | -                    | 1,113                | 2,088            |
| Total financial assets                     | 84,309                     | 82,633                            | 80,411              | -                    | 2,222                | 82,633           |
| <b>Financial liabilities</b>               |                            |                                   |                     |                      |                      |                  |
| Trade and other payables                   | 23,823                     | 17,706                            | 17,706              | -                    | -                    | 17,706           |
| Finance Lease Payable                      | 614,917                    | 614,917                           | 47,000              | 141,000              | 426,917              | 614,917          |
| Borrowings - secured loans                 | 176,532                    | 184,485                           | 43,369              | 98,917               | 42,199               | 184,485          |
| Total financial liabilities                | 815,272                    | 817,108                           | 108,075             | 239,917              | 469,116              | 817,108          |

The maturity profiles of the Council's interest bearing borrowings are disclosed in note 23.



### 32 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 2021                     | Carrying amount<br>(\$000) | Contractual cash flows<br>(\$000) | Maturity dates       |                      |                      | Total<br>(\$000) |
|----------------------------------|----------------------------|-----------------------------------|----------------------|----------------------|----------------------|------------------|
|                                  |                            |                                   | < 1 year<br>(\$000)  | 1-3 years<br>(\$000) | > 3 years<br>(\$000) |                  |
| <b>Financial assets</b>          |                            |                                   |                      |                      |                      |                  |
| Derivative financial instruments | -                          | -                                 | -                    | -                    | -                    | -                |
| Total financial assets           | -                          | -                                 | -                    | -                    | -                    | -                |
| <b>Financial liabilities</b>     |                            |                                   |                      |                      |                      |                  |
| Derivative financial instruments | 1,904                      | 2,259                             | 786                  | 980                  | 493                  | 2,259            |
| Total financial liabilities      | 1,904                      | 2,259                             | 786                  | 980                  | 493                  | 2,259            |
| <b>Group 2021</b>                |                            |                                   |                      |                      |                      |                  |
|                                  | Carrying amount<br>(\$000) | Contractual cash flows<br>(\$000) | Maturity dates       |                      |                      | Total<br>(\$000) |
|                                  | < 1 year<br>(\$000)        | 1-3 years<br>(\$000)              | > 3 years<br>(\$000) |                      |                      |                  |
| <b>Financial assets</b>          |                            |                                   |                      |                      |                      |                  |
| Derivative financial instruments | -                          | -                                 | -                    | -                    | -                    | -                |
| Total financial assets           | -                          | -                                 | -                    | -                    | -                    | -                |
| <b>Financial liabilities</b>     |                            |                                   |                      |                      |                      |                  |
| Derivative financial instruments | 6,284                      | 10,528                            | 2,562                | 4,515                | 3,451                | 10,528           |
| Total financial liabilities      | 6,284                      | 10,528                            | 2,562                | 4,515                | 3,451                | 10,528           |



### 32 Financial instrument risk (continued)

| Council 2020                     | Carrying amount<br>(\$000) | Contractual cash flows<br>(\$000) | Maturity dates       |                      |                      | Total<br>(\$000) |
|----------------------------------|----------------------------|-----------------------------------|----------------------|----------------------|----------------------|------------------|
|                                  |                            |                                   | < 1 year<br>(\$000)  | 1-3 years<br>(\$000) | > 3 years<br>(\$000) |                  |
| <b>Financial assets</b>          |                            |                                   |                      |                      |                      |                  |
| Derivative financial instruments | -                          | -                                 | -                    | -                    | -                    | -                |
| Total financial assets           | -                          | -                                 | -                    | -                    | -                    | -                |
| <b>Financial liabilities</b>     |                            |                                   |                      |                      |                      |                  |
| Derivative financial instruments | 3,493                      | 3,894                             | 905                  | 1,637                | 1,352                | 3,894            |
| Total financial liabilities      | 3,493                      | 3,894                             | 905                  | 1,637                | 1,352                | 3,894            |
| <b>Group 2020</b>                |                            |                                   |                      |                      |                      |                  |
|                                  | Carrying amount<br>(\$000) | Contractual cash flows<br>(\$000) | Maturity dates       |                      |                      | Total<br>(\$000) |
|                                  | < 1 year<br>(\$000)        | 1-3 years<br>(\$000)              | > 3 years<br>(\$000) |                      |                      |                  |
| <b>Financial assets</b>          |                            |                                   |                      |                      |                      |                  |
| Derivative financial instruments | -                          | -                                 | -                    | -                    | -                    | -                |
| Total financial assets           | -                          | -                                 | -                    | -                    | -                    | -                |
| <b>Financial liabilities</b>     |                            |                                   |                      |                      |                      |                  |
| Derivative financial instruments | 10,988                     | 12,163                            | 2,681                | 5,172                | 4,310                | 12,163           |
| Total financial liabilities      | 10,988                     | 12,163                            | 2,681                | 5,172                | 4,310                | 12,163           |



## 32 Financial instrument risk (continued)

### ▪ Market risk.

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of risk: interest rate risk, currency risk and other price risk such as equity price risk or commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits and derivative financial instruments.

### 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. The Group is exposed to currency risk through Invercargill City Forests Limited as it sells logs to overseas markets, which require it to enter into transactions denominated in a foreign currency. The Group has mitigated this risk by selling the majority of its logs at wharf gate in New Zealand dollars.

### 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. Borrowings 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 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 Group through the Parent uses interest rate swaps to manage its exposure to interest rate movements on its multi-option facility borrowings.

The interest rates on the Council's borrowings are disclosed in note 23.

## 32 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 |



## 32 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 to fixed rates that are generally lower than those available if 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<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Actual<br/>2020<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2020<br/>(\$000)</b> |
|--------------------|--|--|--|--|
|                    | <b>Liability</b>                               | <b>Liability</b>                               | <b>Liability</b>                             | <b>Liability</b>                             |
| Maturity < 1 year  | -  | 10,000   | 8,000  | 20,000                                       |
| Maturity 1-2 years | 6,000  | -  | 23,000                                       | 8,000  |
| Maturity 2-3 years | 5,000  | 6,000  | 22,500                                       | 23,000                                       |
| Maturity 3-4 years | 10,000   | 5,000  | 20,000                                       | 22,500                                       |
| Maturity 4-5 years | 5,000  | 5,000  | 19,000                                       | 15,000                                       |
| Maturity 5-6 years | 4,000  | 10,000   | 12,000                                       | 24,000                                       |
| Maturity 6-7 years | -  | 4,000  | -  | 12,000                                       |
|                    | 30,000   | 40,000   | 104,500                                      | 124,500                                      |

## 32 Financial instrument risk (continued)

### Interest rate risk (continued)

#### Effectiveness of cash flow hedges

The matched items 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 |      |
|---------------|---------|------|-------|------|
|               | 2021    | 2020 | 2021  | 2020 |
|               | %       | %    | %     | %    |
| Effectiveness | 100     | 100  | 100   | 100  |

#### Sensitivity analysis on financial instruments

##### Investments:

If interest rates on investments at 30 June, 2021 had fluctuated by plus or minus 0.5%, the effect would have been to decrease/increase the surplus after tax by \$162,384 (2020: \$138,274).

##### Borrowings:

If interest rates on borrowings at 30 June, 2021 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 \$162,384 (2020: \$150,411) and for Invercargill City Holdings Limited \$143,022 (2020: \$141,888).

##### Cash and cash equivalents:

Cash and cash equivalents included deposits at call which are at floating interest rates. Sensitivity to a 0.5% movement 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% movement in rates is as follows and affects the equity balance of the Group.

#### Interest rate swaps

|                                    | Carrying amount<br>Year 2021<br>(\$000) | Equity change    |                  |
|------------------------------------|---|------------------|------------------|
|                                    |   | +0.5%<br>(\$000) | -0.5%<br>(\$000) |
| Council                            | (1,904)                                 | (1,758)          | (2,705)          |
| Invercargill City Holdings Limited | (4,380)                                 | 874              | (892)            |
|                                    | (6,284)                                 | (884)            | (3,597)          |

|                                    | Carrying amount<br>Year 2020<br>(\$000) | Equity change    |                  |
|------------------------------------|---|------------------|------------------|
|                                    |   | +0.5%<br>(\$000) | -0.5%<br>(\$000) |
| Council                            | (3,493)                                 | (3,225)          | (4,532)          |
| Invercargill City Holdings Limited | (7,496)                                 | 1,178            | (1,208)          |
|                                    | (10,989)                                | (2,047)          | (5,740)          |



## 32 Financial instrument risk (continued)

### Interest rate 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).

## 32 Financial instrument risk (continued)

### Fair value measurement

|                             | Council 2021       |                    |                    | Total<br>(\$000) |
|-----------------------------|--------------------|--------------------|--------------------|------------------|
|                             | Level 1<br>(\$000) | Level 2<br>(\$000) | Level 3<br>(\$000) |                  |
| <b>Assets at fair value</b> |                    |                    |                    |                  |
| Biological assets           | -                  | -                  | 4,022              | 4,022            |
| Infrastructure assets       | -                  | -                  | 716,167            | 716,167          |
| Investment property         | -                  | -                  | 28,113             | 28,113           |
| Land and buildings          | -                  | -                  | 97,189             | 97,189           |
| Library books               | -                  | -                  | 3,368              | 3,368            |
| Total assets at fair value  | -                  | -                  | 848,859            | 848,859          |

### Liabilities at fair value

|                                 |   |       |   |       |
|---------------------------------|---|-------|---|-------|
| Derivatives                     | - | 1,904 | - | 1,904 |
| Total liabilities at fair value | - | 1,904 | - | 1,904 |

|                             | Council 2020       |                    |                    | Total<br>(\$000) |
|-----------------------------|--------------------|--------------------|--------------------|------------------|
|                             | Level 1<br>(\$000) | Level 2<br>(\$000) | Level 3<br>(\$000) |                  |
| <b>Assets at fair value</b> |                    |                    |                    |                  |
| Biological assets           | -                  | -                  | 3,618              | 3,618            |
| Infrastructure assets       | -                  | -                  | 723,471            | 723,471          |
| Investment property         | -                  | -                  | 36,518             | 36,518           |
| Land and buildings          | -                  | -                  | 97,966             | 97,966           |
| Library books               | -                  | -                  | 3,625              | 3,625            |
| Total assets at fair value  | -                  | -                  | 865,198            | 865,198          |

### Liabilities at fair value

|                                 |   |       |   |       |
|---------------------------------|---|-------|---|-------|
| Derivatives                     | - | 3,493 | - | 3,493 |
| Total liabilities at fair value | - | 3,493 | - | 3,493 |



## 32 Financial instrument risk (continued)

### Fair value measurement (continued)

|                                  | Group 2021         |                    |                    |                  |
|----------------------------------|--------------------|--------------------|--------------------|------------------|
|                                  | Level 1<br>(\$000) | Level 2<br>(\$000) | Level 3<br>(\$000) | Total<br>(\$000) |
| <b>Assets at fair value</b>      |                    |                    |                    |                  |
| Biological assets                | -                  | -                  | 4,022              | 4,022            |
| Infrastructure assets            | -                  | -                  | 809,794            | 809,794          |
| Investment property              | -                  | -                  | 33,283             | 33,283           |
| Land and buildings               | -                  | -                  | 97,189             | 97,189           |
| Library books                    | -                  | -                  | 3,368              | 3,368            |
| Total assets at fair value       | -                  | -                  | 947,656            | 947,656          |
| <b>Liabilities at fair value</b> |                    |                    |                    |                  |
| Derivatives                      | -                  | 6,284              | -                  | 6,284            |
| Total liabilities at fair value  | -                  | 6,284              | -                  | 6,284            |

|                                  | Group 2020         |                    |                    |                  |
|----------------------------------|--------------------|--------------------|--------------------|------------------|
|                                  | Level 1<br>(\$000) | Level 2<br>(\$000) | Level 3<br>(\$000) | Total<br>(\$000) |
| <b>Assets at fair value</b>      |                    |                    |                    |                  |
| Biological assets                | -                  | -                  | 34,659             | 34,659           |
| Infrastructure assets            | -                  | -                  | 809,886            | 809,886          |
| Investment property              | -                  | -                  | 40,718             | 40,718           |
| Land and buildings               | -                  | -                  | 97,966             | 97,966           |
| Library books                    | -                  | -                  | 3,625              | 3,625            |
| Total assets at fair value       | -                  | -                  | 986,854            | 986,854          |
| <b>Liabilities at fair value</b> |                    |                    |                    |                  |
| Derivatives                      | -                  | 10,989             | -                  | 10,989           |
| Total liabilities at fair value  | -                  | 10,989             | -                  | 10,989           |



## 32 Financial instrument risk (continued)

### Fair value measurement (continued)

|  | <b>Council<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Council<br/>Actual<br/>2020<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2021<br/>(\$000)</b> | <b>Group<br/>Actual<br/>2020<br/>(\$000)</b> |
|--|--|--|--|--|
| <b>Level 3 fair value measurements</b>   |  |  |  |  |
| Balance at beginning of the year         | 865,198  | 877,556  | 986,854                                      | 992,380                                      |
| Unrealised net change in value of assets | 3,967  | 724  | 12,149                                       | 8,709  |
| Purchases                                | 18,500   | 13,322   | 18,500                                       | 17,124                                       |
| Sales                                    | (2,131)  | -  | (33,172)                                     | (1,415)                                      |
| Reclassified from other asset categories | (9,980)  | 1  | (9,980)                                      | 1  |
| Depreciation and impairment              | (26,695)                                       | (26,405)                                       | (26,695)                                     | (29,945)                                     |
| Balance at the end of the year           | 848,859  | 865,198  | 947,656                                      | 986,854                                      |



## 32 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 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. 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 2021 valuation is 7.50% (2020: 7.50%). The cash flow term for the valuation is 12 years.

The Group's biological assets were sold during the 2020 financial year, while the parties had aged the terms of sale prior to 30 June 2020 the sale was not completed until late 2021 financial year. The assets held for sale have been reclassified as forestry assets held for sale. The recorded value reflects the terms of the negotiated sale less the costs to sell.

The Council's network assets (roads and bridges) are 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 NZ 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 three 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 investment properties are revalued annually. The key inputs include yield sensitivity being 9.25% for 2021 (2020:10%).

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.

### 33 Capital management

The Council's and Group'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. Ratepayers' 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.



### 34 Explanation of major variances

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

|   |    | <b>Actual<br/>2021<br/>(\$000)</b> | <b>Budget<br/>2021<br/>(\$000)</b> | <b>Actual<br/>2020<br/>(\$000)</b> | <b>Variance<br/>to<br/>Budget<br/>2021<br/>(\$000)</b> | <b>Variance<br/>to<br/>Actual<br/>2020<br/>(\$000)</b> |
|---|----|------------------------------------|------------------------------------|------------------------------------|--|--|
| <b>Revenue</b>  |    |                                    |                                    |                                    |  |  |
| Rates revenue   |    | 57,573                             | 56,767                             | 55,550                             | 806  | 2,023  |
| Fines   | 1  | 538                                | 502                                | 208                                | 36   | 330  |
| Subsidies and grants  | 2  | 12,392                             | 9,217                              | 8,554                              | 3,175  | 3,838  |
| Direct charges revenue  | 3  | 27,226                             | 21,734                             | 22,351                             | 5,492  | 4,875  |
| Rental revenue  | 4  | 2,794                              | 3,013                              | 2,679                              | (219)  | 115  |
| Finance revenue   | 5  | 1,507                              | 1,902                              | 1,563                              | (395)  | (56)   |
| Dividends   | 6  | 4,886                              | 5,300                              | 5,141                              | (414)  | (255)  |
| Subvention payments received  |    | 1,492                              | -                                  | 2,233                              | 1,492  | (741)  |
| <b>Expenditure</b>  |    |                                    |                                    |                                    |  |  |
| Employee expenses   | 7  | 24,884                             | 25,433                             | 24,586                             | (549)  | 298  |
| Depreciation and amortisation   |    | 28,594                             | 28,124                             | 27,910                             | 470  | 684  |
| General expenses  | 8  | 52,884                             | 43,448                             | 44,074                             | 9,436  | 8,791  |
| Finance expenses  | 9  | 2,767                              | 3,140                              | 2,263                              | (373)  | 504  |
| Other gains/(losses)  | 10 | 5,110                              | 964                                | 910                                | 4,146  | 4,445  |
| <b>Other comprehensive revenue and expense</b>                          |    |                                    |                                    |                                    |  |  |
| Carbon credit revaluation gains/(losses)                                | 11 | 367                                | -                                  | 288                                | 367  | 79   |
| Cash flow hedges  |    | 1,589                              | -                                  | (1,033)                            | 1,589  | 2,622  |
| Capital distribution on liquidation                                     |    | -                                  | -                                  | 656                                | -  | 656  |
| <b>Total variance in Statement of Comprehensive Revenue and Expense</b> |    | <b>6,345</b>                       | <b>(746)</b>                       | <b>267</b>                         | <b>7,091</b>   | <b>6,078</b>   |

## 34 Explanation of major variances (continued)

### 2021 Variance analysis against 2021 Budget

- 1 - Fines income is higher than budget, principally due to increased parking fines. The increase could be due to fewer people having cash for our parking meters, reflecting the reduction in cash in circulation, and the extent of the ICC network being primarily cash meters.
- 2 - Subsidies and grant income is higher than budget due to greater NZTA funding being received during the year to progress more roading capital work being completed.
- 3 - Direct charges revenue was higher than budget due to increased revenue from timber sales and higher user fees income reflecting a greater uptake of Council services.
- 4 - Rental revenue was less than budget mainly due to the Don Street building which was budgeted to be fully tenanted for the full year.
- 5 - Finance revenue is less than budget as surplus funds have been applied to the reduction of debt, and interest rates on investments were lower than budgeted.
- 6 - Dividends received are less than budget, due to payment from Invercargill City Holdings Limited being less.
- 7 - Employee expenses are lower than budget as the budget is adopted with the assumption of 100% of roles filled.
- 8 - General expenses are greater than budget due to WasteNet management fees charged being greater. Council payments to contractors for delivery of services is the significant cost movement. Council has several substantial projects using external contractors, including monuments restoration, sewerage network upgrades and roading streetscapes.
- 9 - Finance expenses are less than budget due to Council debt being lower than budget. The lower debt was due to repayments and capital projects delays. The delays to the CBD redevelopment project and work required on the Civic Administration building were the principal projects causing lower debt levels.
- 10 - Other gains/(losses) are higher than budget due to increases in the revaluation of Council's Investment Property and Biological Assets by independent third party valuers, and gains on disposal of property, plant and equipment.
- 11 - Other comprehensive income, except for property, plant and equipment revaluations are not typically budgeted for so there will always be a variance from actual amounts.



### **2021 Variance analysis against 2020 Actuals**

- 1 - Fines revenue was higher than 2020. The 2020 revenue was significantly less due to the impacts of Covid-19 on parking fines.
- 2 - Subsidies and grant income is more than 2020, the 2020 year was significantly less due to less NZTA funding being received as a result of less roading capital work completed because of Covid-19.
- 3 - Direct charges are more than 2020, which can be attributed to timber sales, Local Authority funding and user charges. The User charges are a reflection of 2020 being a lesser year due to COVID 19.
- 4 - Rental revenue is higher than 2020 due to increased occupancy of the Don Street Business House from last year. 2020 year reflects rent holidays due to COVID 19 lockdown.
- 5 - Finance revenue is less than 2020 due to funds being applied to reduction of debt and increased periods of low interest rates on investments.
- 6 - Dividends received are less than 2020 actuals, due to payment from Invercargill City Holdings Limited being less.
- 7 - Employee expenses are greater than 2020. During 2020 there was a high level of vacant positions and a organisation restructure occurred. All executive roles have now been appointed.
- 8 - General expenses are greater than 2019 as WasteNet management fees were greater. External contractors for delivery of services is the significant cost movement in the current year. There is an element of 2020 year being less costs due to the impact of COVID 19.
- 9 - Finance expenses are greater than 2020 due to increased periods of low interest rates on borrowings.
- 10 - Other gains/(losses) are higher than last year due to increases in the revaluation of Council's Investment Property and Biological Assets by independent third party valuers, and gains on disposal of property, plant and equipment.
- 11 - Other comprehensive income is higher than 2020 due to a \$1.5 million gain on cashflow hedges and carbon credit revaluation gains.

### 34 Explanation of major variances (continued)

| Statement of Financial Position - Council |   |                     |                     | Variance to Budget 2021 (\$000) | Variance to Actual 2020 (\$000) |
|---|---|---------------------|---------------------|---------------------------------|---------------------------------|
|   |   | Actual 2021 (\$000) | Budget 2021 (\$000) | Actual 2020 (\$000)             |                                 |
| <b>Current assets</b>                     |   |                     |                     |                                 |                                 |
| Cash and cash equivalents                 | 1 | 16,673              | 14,738              | 26,505                          | 1,935 (9,832)                   |
| Receivables                               |   | 11,376              | 9,372               | 11,328                          | 2,560 48                        |
| Prepayments                               |   | 1,063               | -                   | 461                             | 1,063 602                       |
| Inventories                               |   | 733                 | 1,681               | 825                             | (948) (92)                      |
| Non-current assets held for resale        |   | 9,980               | -                   | -                               | 9,980 9,980                     |
| Other financial assets                    | 2 | 35,533              | 83,891              | 51,193                          | (48,358) (15,660)               |
| <b>Non-current assets</b>                 |   |                     |                     |                                 |                                 |
| Work in progress                          | 3 | 8,692               | -                   | 5,543                           | 8,692 3,149                     |
| Property, plant and equipment             | 3 | 838,913             | 862,222             | 846,839                         | (23,309) (7,926)                |
| Intangible assets                         |   | 2,429               | 1,669               | 1,219                           | 760 1,210                       |
| Forestry assets                           | 4 | 4,022               | 3,320               | 3,618                           | 702 404                         |
| Investment property                       | 5 | 28,113              | 39,332              | 36,518                          | (11,219) (8,405)                |
| Investment in CCOs and similar entities   | 6 | 76,569              | 36,069              | 61,069                          | 40,500 15,500                   |
| Other financial assets                    | 2 | 2,212               | -                   | 17,222                          | 2,212 (15,010)                  |
| <b>Current liabilities</b>                |   |                     |                     |                                 |                                 |
| Trade and other payables                  | 7 | 20,025              | 11,956              | 13,937                          | 8,069 6,088                     |
| Provisions                                |   | 112                 | 112                 | 112                             | - -                             |
| Employee benefit liabilities              |   | 2,601               | 2,160               | 2,877                           | 441 (276)                       |
| Borrowings                                | 8 | 10,522              | 50,005              | 50,314                          | (39,483) (39,792)               |
| <b>Non-current liabilities</b>            |   |                     |                     |                                 |                                 |
| Provisions                                |   | 816                 | 816                 | 816                             | - -                             |
| Employee benefit liabilities              |   | 852                 | 1,092               | 1,160                           | (240) (308)                     |
| Borrowings                                | 8 | 78,700              | 65,200              | 75,200                          | 13,500 3,500                    |
| Derivative financial instruments          |   | 1,904               | 2,460               | 3,493                           | (556) (1,589)                   |
| <b>Equity</b>                             |   |                     |                     |                                 |                                 |
| Retained earnings                         |   | 376,475             | 379,773             | 366,796                         | (3,298) 9,679                   |
| Other reserves                            |   | 544,301             | 538,720             | 547,635                         | 5,581 (3,334)                   |
| Total variance in net assets and equity   |   | 920,776             | 918,493             | 914,431                         | 2,283 6,345                     |

## 34 Explanation of major variances (continued)



### 2021 Variance analysis against 2021 Budget

- 1 - Cash and cash equivalents are higher than budget due to the maturity of Council's short-term term deposits resulting in some being reclassified as cash and cash equivalents.
- 2 - Other financial assets are less than budget due to the loans to related parties being repaid and converted to Investments in CCO's. Short term deposit funds were applied to long term debt repayment.
- 3 - Property, plant and equipment are less than budget as many significant projects are yet to be completed prior to capitalisation. Work in Progress is greater than budget due to projects in progress, namely the Streetscapes for the City Centre block and 3 Waters infrastructure spending but not completed at balance date.
- 4 - Forestry assets are higher than budget due to the 2021 annual revaluation being greater than anticipated. These valuations were provided by independent valuers, Margules Groome Consulting Ltd.
- 5 - Investment property is lower than budget due to two major assets being sold after balance date and so reclassified as non current assets held for resale. The properties sold are the Esk Street West buildings and the Awarua Farm.
- 6 - Investment in CCOs and similar entities is more than budget due to the increase in funding provided to ICHL for the city centre development. Additionally, funding that had previously been classified as Other financial assets has been recategorised to Investments in CCOs.
- 7 - Trade and other payables are higher than budget partially due to larger contractor payments being accrued in June 2021, these relate to increased capital works still being held in Work in Progress. Additionally, there has been an increase of Income in Advance held in respect of the 3 Waters incentive and Shovel Ready projects funding.
- 8 - Total borrowings are less than budget due to debt repayment occurring from short term deposit funds.

### 2021 Variance analysis against 2020 Actuals

- 1 - Cash and cash equivalents are higher than 2020 due to the maturity profile of Council's investments resulting in some short term deposits being reclassified as cash and cash equivalents.
- 2 - Other financial assets are less than 2020 year due to the loans to related parties being repaid and converted to Investments in CCO's. Short term deposit funds were applied to long term debt repayment.
- 3 - Work in Progress is greater than 2020 year due to projects in progress, namely the Streetscapes for the City Centre block and 3 Waters infrastructure spending but not completed at balance date.
- 4 - Forestry assets are higher than 2020 year because of the annual revaluation being a positive amount. These valuations are provided by independent valuers, Margules Groome Consulting Ltd.
- 5 - Investment property is lower than 2020 year due to two major assets being sold after balance date and so reclassified as non-current assets held for resale. The properties sold are the Esk Street West buildings and the Awarua farm.
- 6 - Investment in CCOs and similar entities is more than 2020 because of the increase in funding provided to ICHL for the city centre development.
- 7 - Trade and other payables are higher than 2020 year partially due to larger contractor payments being accrued in June 2021, these relate to increased capital works still being held in Work in Progress. Additionally, there has been an increase of Income in Advance held in respect of the 3 Waters incentive and Shovel Ready projects funding.
- 8 - Total borrowings are less than 2020 year due to debt repayment occurring from short term deposit funds. Further, buffer funding borrowed during the 2020 year (\$10m) due to Covid-19 cashflow concerns was considered to be no longer necessary.

The above comments have only focused on major variances.



### 35 Impact of change in accounting standards

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

### 36 Prior year correction

The ICHL investment in joint ventures for the 2020 and 2019 opening Statement of Financial Position and the share of result of associates for 2020 have been restated. The adjustment reflects the impact on the historic share of the result of joint ventures from a restatement associated with the incorrect accounting treatment of power purchase and off take agreements within the financial statements of the joint venture Southern Generation Ltd Partnership.

Within the joint venture, the nature of the power purchase and off take agreements entered into was reconsidered during the year. These agreements were historically treated as derivatives carried at fair value. However, on reassessment it was determined that the joint venture is not a market participant and has no ability to sell electricity directly to the market, therefore the agreements do not meet the definition of derivatives. On reassessment, one of the power purchase agreements previously treated as a derivative was deemed to be favourable customer contracts acquired with the original fixed assets and is now recognised as an asset at cost and amortised over the life of the contract within the joint venture.

The Invercargill City Charitable Trust recognised an impairment of assets within the 2020 financial year. The impairment was not recognised in the Group results for Invercargill City Council in the 2020 financial year.

The financial statements for 2020, which are presented as comparative information in the 30 June, 2021 financial statements, have been restated to correct these errors. The adjustments are shown in the table below. There has been no impact on cashflows.

|   | 30 June 2020               |                    |                           | 30 June 2019               |                    |                           |
|---|----------------------------|--------------------|---------------------------|----------------------------|--------------------|---------------------------|
|   | Before adjustments (\$000) | Adjustment (\$000) | After adjustments (\$000) | Before adjustments (\$000) | Adjustment (\$000) | After adjustments (\$000) |
| <b>Group</b>  |                            |                    |                           |                            |                    |                           |
| <b>Statement of Financial Position (extract)</b>                |                            |                    |                           |                            |                    |                           |
| <b>Non-current assets</b>                                       |                            |                    |                           |                            |                    |                           |
| Property, plant and equipment                                   | 978,190                    | (1,290)            | 976,900                   | -                          | -                  | -                         |
| Investment in associates and joint ventures                     | 119,701                    | (1,450)            | 118,251                   | 80,594                     | 1,000              | 81,594                    |
| <b>Equity</b>   |                            |                    |                           |                            |                    |                           |
| Total equity  | 1,022,370                  | (2,740)            | 1,019,630                 | 1,014,506                  | 1,000              | 1,015,506                 |
| <b>Statement of Comprehensive Revenue and Expense (extract)</b> |                            |                    |                           |                            |                    |                           |
| Share of associates and joint ventures' surplus (deficit)       | 6,718                      | (2,450)            | 4,268                     |                            |                    |                           |
| Surplus (deficit) after tax                                     | 5,927                      | (2,450)            | 3,477                     |                            |                    |                           |
| Total comprehensive revenue and expense                         | 7,864                      | (2,450)            | 5,414                     |                            |                    |                           |

### 37 Impact of changes in accounting policies

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



### 38 Impact of Covid-19

During August 2020 and February 2021 Invercargill City moved into Alert Level 2, along with other parts of the country. In all other parts of the year, Invercargill City remained in Alert Level 1.

At Alert Level 2, the Council enforced stronger social distancing practices, with the required health and safety protocols and noted lower patronage at community facilities such as the library, swimming pools and larger entertainment theatre venues. There was no disruption to infrastructure servicing. This did not materially affect the amount of user charges collected during the year.

At Alert Level 1, the Council continued to run business as usual.

The ongoing 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. Council has adopted an additional policy for postponement of rates. This policy allows ratepayers financially impacted by COVID-19, to delay payment of up to 1 year's rates. Council staff will work with effected ratepayers to set up affordable payment plans. To date there has been little impact on our rates receipts and the response to the new remission has led to a number of ratepayers contacting Council to go onto a payment plan for their rates.

New Zealand returned to Alert Level 4 in August 2021 with a number of community cases from the "Delta" variant of COVID -19 introduced from New South Wales. The valuations prepared as at 30 June 2021 contained references to valuation uncertainty in light of COVID -19 generally and there remains significant pressure on the robustness of assumptions contained in the valuations.

Council's subsidiaries have both confirmed that the valuations provided as at 30 June 2021 and 30 June 2020 these valuations remain valid despite the move to Level 4 in August 2021

As outlined in note 13 Property, plant and equipment, the fair value assessment, carried out indicated that there was no requirement for a formal revaluation at 30 June 2021 (fair value assessment indicates that the 30 June 2021 carrying value for infrastructural assets and operational land and buildings is not materially different to what a formal revaluation would produce.) This assessment indicated there was no material valuation or impairment movements in asset value as a result of Covid-19.

The Council also has an investment property portfolio that was revalued as at 30 June 2021 the valuation highlighted that there were market uncertainties that affected the valuation, refer to Note 16 of the financial statements for further information.

#### **Invercargill Airport Limited (IAL):**

The recovery from 2020 lockdown has been a lot quicker than anticipated due to the strength of domestic travel. Passenger numbers have recovered to pre COVID-19 levels. The Company continues to monitor the risks and ongoing impacts from COVID-19 on the business.

#### **Electricity Invercargill Limited Group (EIL):**

As an electricity distribution and generation business, the Group is deemed to be an essential service provider and was not largely impacted by the COVID-19 restrictions during the year. New industry operating and health and safety procedures were adopted to enable the Group to continue maintaining the network assets and deliver electricity services.

The Group continues to monitor the risks and ongoing impacts from COVID-19 on the business.

#### **Invercargill City Property Limited (ICPL):**

COVID-19 had no significant impact on the business.

# Statement of Accounting Policies

## 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), 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 one joint ventures, a joint operation being WasteNet (56% share). Council has three associates being Southland Regional Heritage Committee (64% share of voting rights), Emergency Management Southland (28% share of voting rights) and Southland Regional Development Agency (18.75% share of voting rights).

The Invercargill City Holdings Limited Group consists of:

- Electricity Invercargill Limited (100% owned) and its wholly owned subsidiary Pylon Limited. (Refer to page 96 for additional structure information). Electricity Invercargill Limited has a balance date of 31 March.
- Invercargill City Forests Limited (100% owned/removed from register in August 2021). Refer to page 96 for additional structure information.
- Invercargill Airport Limited (97% owned).
- Invercargill City Property Limited (100% owned) and its associate HWCP Management Limited (49.9% owned). (Refer to page 96 for additional structure information).

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 and the Group are for the year ended 30 June 2021. The financial statements were authorised for issue by Council on 21 December 2021.

## Basis of Preparation

The financial statements of the Council and the Group 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 its 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 IFRS.

## 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 are eliminated.

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

## Joint Arrangements

### Joint Operations

A joint operation (WasteNet) is an operation that Council has joint control. The consolidated financial statements of the Council recognises in the Statement of Financial Position the Council's share of assets and liabilities. Council recognises in the Statement of Comprehensive Revenue and Expenses its share of revenue and expenses that it earns from the sale or provision of goods or services by the joint operation.

## 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.

#### **Rental Revenue**

Rental revenue from investment property is recognised on a straight-line basis over the term of the lease.

### **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 using the effective interest method.

## **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 categories: amortised cost, fair value through other comprehensive income, and fair value through profit or loss. The classification is determined by the Group's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets.

### Financial assets at amortised cost

These are non-derivative financial assets which are not quoted in an active market. Council and Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

1. The asset is held within a business model whose objective is to collect the contractual cash flows; and
2. The contractual terms give rise to cash flows that are solely payments of principal and interest.

The assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Any impairment losses are presented as a separate line item in the Statement of Comprehensive Revenue and Expense.



### **Fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income (FVOCI) comprise Equity shares investments which are not held for trading, and which Council and Group have irrevocably elected at initial recognition to recognise in this category. These are strategic investments and Council and Group consider this classification to be more relevant. These assets are initially recognised at fair value and subsequently measured at quoted market prices (unadjusted) from the NZX Market as at 30 June each year, and changes in the value are recognised in other comprehensive income.

### **Amortised cost**

Financial assets at amortised cost comprise short term investments, term deposits and loans to related parties. These other financial assets are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

### **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.

### **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.

Council and Group apply the simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance. The measurement of expected credit losses is a function of the probability of default, loss given default and the present value of estimated future cash flows discounted at the effective interest rate compared at initial recognition.

### **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.

Cash and short term deposits are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

### **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.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at subsequent reporting dates. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

#### **Cash flow hedge**

Council and Group designate hedges of highly probable forecast transactions as cash flow hedges. The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised directly in other comprehensive revenue and expenditure.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and the hedging instrument.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100%

of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps.

Hedge ineffectiveness for interest rate swaps may occur due to, the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and differences in critical terms between the interest rate swaps and loans.

When a hedging instrument expires or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Statement of Comprehensive revenue and Expense. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Statement of Comprehensive Revenue and Expense. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Statement of comprehensive Revenue and Expense.

#### **Borrower notes**

Borrower notes are subordinated convertible debt instruments that the Council subscribes for an amount equal to 0.005% of the total borrowing from LGFA. LGFA will redeem borrower notes when the Council's related borrowings are repaid or no longer owed to LGFA.

The fair value of borrower notes is calculated using the discounted cash flow method. The significant input used in the fair value measurement of borrower notes is the forward interest rate yield curve.

#### **Financial guarantee contracts**

A financial guarantee contract requires the Council requires the Council or Group to make specified payments to reimburse the holder of the contract for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received, the fair value of the liability is initially measured using a valuation technique, such as considering the credit enhancement arising from the guarantee or the probability that the Council will be required to reimburse a holder for a loss incurred, discounted to present value. If the fair value of a guarantee cannot be reliably determined at initial recognition, a liability is recognised at the amount of the loss allowance determined in accordance with expected credit loss (ECL) model over the lifetime of the guarantee.

Financial guarantees are subsequently measured at the higher of:  
the amount determined in accordance with the ECL model;  
and  
the amount initially recognised less, when appropriate, cumulative amortisation as revenue.

## **Property, Plant and Equipment**

Property, plant and equipment consists of:

**Operational assets** - These include land, buildings, library books, plant and equipment, motor vehicles, and furniture and fittings.

**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 cost 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:

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each balance date. Council changed the depreciation rates on its revalued assets at 1 July 2019 due to the change in the useful lives of these assets. The effect of this change in the current and future periods is impractical to measure.

| Council Operational Assets     |                   |
|--------------------------------|-------------------|
| Buildings                      | Depreciation Rate |
| Structure                      | 1%-4% SL          |
| Roof                           | 1%-2.64% SL       |
| Electrical                     | 1%-2.91% SL       |
| Plumbing                       | 1%-2.91% SL       |
| Internal Fitout                | 1%-6.96% SL       |
| Plant                          | 1%-6.78% SL       |
| Library Books                  | Depreciation Rate |
| Library Books                  | 10%-50% SL        |
| Plant and Equipment            | Depreciation Rate |
| Plant                          | 1%-60% SL/DV      |
| Motor Vehicles                 | Depreciation Rate |
| Motor Vehicles                 | 12%-33% DV        |
| Furniture & Fittings           | Depreciation Rate |
| Furniture & Fittings           | 10%-35% SL/DV     |
| Council Infrastructural Assets |                   |
| Roads, Bridges and Footpaths   | Depreciation Rate |
| Total Pavement Layers          | 1%-3% SL          |
| Total Roadway Assets           | 1.5%-6% SL        |
| Traffic Signs                  | 4%-4.7% SL        |
| Street Lights                  | 1.5%-4% SL        |
| Other Asset                    | 1%-25% SL/DV      |
| Formation                      | 0%                |

## Depreciation continued

| Council Infrastructural Assets continued             |                      |
|--|----------------------|
| Stormwater Systems                                   | Depreciation Rate    |
| Stormwater   | 1%-2.5% SL           |
| Wastewater Systems                                   | Depreciation Rate    |
| Wastewater   | 1%-3% SL             |
| Water  | Depreciation Rate    |
| Water  | 1-4% SL              |
| Council Restricted Assets                            |                      |
| Buildings  | Depreciation Rate    |
| Buildings  | 1%-4% SL             |
| Monuments and Statues                                | 3%-21.6% SL/DV/NOND  |
| Hard Surfaces and Appurtenance                       | 1%-21.6% SL/DV/NOND  |
| Subsidiaries   |                      |
| Subsidiaries - Property, Plant and Equipment         | Depreciation Rate    |
| Buildings  | 1%-19.2% SL          |
| Furniture and Fittings                               | 9.6%-30% DV 6%-21%SL |
| Plant  | 6%-67% SL/DV         |
| Motor Vehicles                                       | 10%-15.6% DV         |
| Subsidiaries - Infrastructure Asset                  | Depreciation Rate    |
| Network Assets                                       | 1 %-15% SL           |
| Airport Facilities                                   | Depreciation Rate    |
| Carpark and Fencing                                  | 1%-21% SL            |
| Runway, Apron and Taxiway (Base-course and sub-base) | 3% SL                |
| Top Surface (Runway)                                 | 8.3% SL              |
| Top Surface (Apron and Taxiway)                      | 6.7% SL              |
| Roads, carparks and stop banks                       | 3% SL                |
| Subsidiaries Forestry Road Improvements              | Depreciation Rate    |
| Forestry Road Improvements                           | 6.00%DV              |

## 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 2019. 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 2019. Valuation was completed by staff of the Invercargill City Council. Valuations are completed three yearly.

Forest land (excluding restricted land forestry) 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 their 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 through a bequest or donation that restricts the purpose for which the asset can be used).

The carrying values of revalued classes are reviewed annually to ensure that these values are not materially different to fair value.

### 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, Bridges and Footpaths**

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 2019. 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 Ltd. The current valuation is as at 30 June 2019. 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 cash flow methodology.

### **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 100% of the existing capacity, i.e. no surplus capacity. The valuation of these assets therefore assumes that 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 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.

### **Goodwill**

Goodwill is initially measured at its cost, being the excess of the cost of the acquisition over the Council's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Goodwill on acquisition of subsidiaries is included in intangible assets by applying the purchase method. Goodwill on acquisition of associates is included in investments in associates by applying the equity method.

### **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 gains/losses are recognised in Other Comprehensive Revenue and Expenses.

### **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 2021 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.

### **Allocation of borrowing and finance costs**

Council operates an internal treasury function that funds the net debt balance of each activity. Finance costs are allocated based on the net debt balance. The funding impact statements for each activity show the finance cost and debt movement for the year.

### **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 non-cash-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**

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 and a provision has been established for this purpose. Maintaining the provision at current levels is appropriate given the uncertainty around future consent requirements.

### **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.



### **Estimating retirement and long service leave obligations**

The provision for long service leave is an assessment of an entitlement that may become due to employees in the future. The provision is affected by a number of estimates, including the expected length of service of employees and the timing of benefits being taken.

The present value of retirement gratuities has two key assumptions which are the discount rate and salary inflation factor. Any changes to these assumptions will affect the carrying value of the liability. The salary inflation factor has been determined after considering historical salary inflation patterns. The salary compounding factor has been determined as 2% (2020: nil) and a discount rate of 2.12% (2020: 2.1%).

### **Fair value assessment of Infrastructural Assets and Operational Land and buildings**

In undertaking a fair value assessment of infrastructural assets and operational land and buildings management were required to make a number of assumptions and judgements as to how current inflation, cost indices, market conditions and regulatory actions will impact a sustainable fair value for these asset classes.

To minimise the risk, management have used consistent inflation measures to prior years. Further details as to the fair value assessment are outlined in note 13 to the financial statements.

### **Subsidiary critical accounting estimates and assumptions**

#### **Invercargill Airport Limited - determination of the recoverable amount of assets.**

For 2020, 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 following major inputs and assumptions were adopted:

- The forecast free cashflows reflect the charges determined following the 2019 aeronautical pricing consultation with airline customers.
- Expected revenues also reflect expected passenger numbers. There is uncertainty around forecast future passenger movements. The forecasts assume a significant reduction in passengers during the 2021 and 2022 financial years with a recovery back to pre-COVID-19 levels occurring in the 2023 financial year.
- The weighted average cost of capital (WACC) used ranges from 4.51% to 5.91% (average WACC rate of 5.33%) depending on the asset class. The assessment indicated that the value of property, plant and equipment was not impaired. The assessment is sensitive to the WACC applied. An impairment arises if the WACC for all asset classes is increased by any amount more than 1.85% (resulting average WACC of 7.17%).  
As at 30 June 2020, the Group's estimates of passengers, recovery and growth rates remain uncertain and dependent on a number of factors with respect to COVID-19 including restrictions on domestic travel, border controls for international travel, public demand and behaviour with respect to travel and airline scheduling. Material changes in any of these factors might have a material impact on the Group's estimates of income and cashflows used in the valuations and fair value assessments at 30 June 2020.

For 30 June 2021, the directors of Invercargill Airport Limited have assessed that there are no indicators of impairment and no impairment assessment has been performed. This is because the Company exceeded its estimates for passengers, recovery and growth rates, and its profit exceeded budget.

## Electricity Invercargill Limited Group

### Estimates and Assumptions.

The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances and have been used in the following areas:

- Property, plant and equipment
- Revenue estimation - Network Charges;
- Joint arrangement classification;

In the process of applying accounting policies, Electricity Invercargill Limited management has made the following judgements, estimates and assumptions that have the most significant impact on the amounts recognised in these financial statements.

- The Group operates extensive integrated electricity distribution networks comprising large numbers of relatively minor individual network asset components. These components are replaced over time as part of an ongoing maintenance/ refurbishment programme, consistent with the Group's approved network asset management plans. The costs associated with recording and tracking all individual components replaced and removed from the networks substantially outweigh the benefits of doing so. Management has estimated the quantities and the carrying values of components removed from the networks in each reporting period. Any errors in the estimates of such removals are corrected at the next asset revaluation, and are not considered to be material on either an annual or a cumulative basis with respect to either reported net surpluses or carrying values of the networks.

- Every five years, the Electricity Invercargill Group obtains a valuation of their electricity distribution network, determined by independent valuers, in accordance with their accounting policy. The valuation of the Group's electricity distribution network was performed as at 31 March 2021. The best evidence of fair value is discounted cash flow methodology. The major assumptions used include discount rate, growth rate and future cash flows. Changes in future cash flows arising from changes in regulatory review may result in the fair value of the electricity distribution network being different from previous estimates.
- The Electricity Invercargill Group invoices its customers (predominantly electricity retailers) monthly for electricity delivery services on the basis of an estimation of usage, adjusted for the latest wash-up data available from the electricity wholesale market and certain metering data from electricity retailers. Management has made an allowance in revenue and in current assets/liabilities for any amounts which are estimated to be under/over charged during the reporting period. However, as final wash-up metering data is not available for in excess of 12 months, it is possible for the final amounts payable or receivable to vary from that calculated.



## **New Standards and Interpretations Issued But Not Yet Effective**

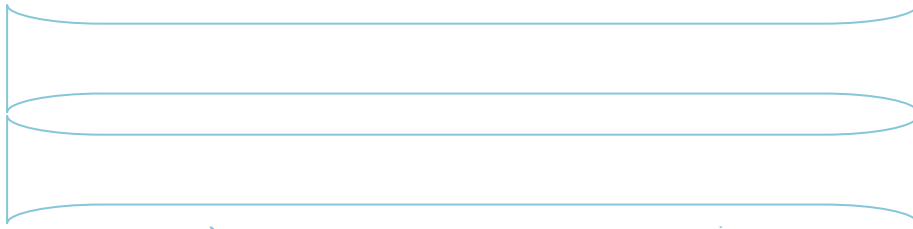
Standards and amendments issued but not yet effective that have not been early adopted are:

- PBE IPSAS 1 – Presentation of Financial Statements – Going Concern Disclosures
- PBE IPSAS 2 – Cash Flow Statement amendments
- PBE IAS 12 – Uncertainty over Income Tax Treatments
- PBE IFRS 17 – Insurance Contracts
- PBE IPSAS 21 – Impairment of Non-Cash Generating Assets
- PBE IPSAS 26 – Impairment of Cash Generating Assets
- PBE IPSAS 29 – Financial Instruments: Recognition and Measurement
- PBE IPSAS 30 – Financial Instruments : Disclosures
- PBE IPSAS 39 – Employee Benefits
- PBE IPSAS 40 – PBE Combinations
- PBE IPSAS 41 – Financial Instruments replaces PBE IFRS 9
- PBE FRS 48 – Service Performance Reporting

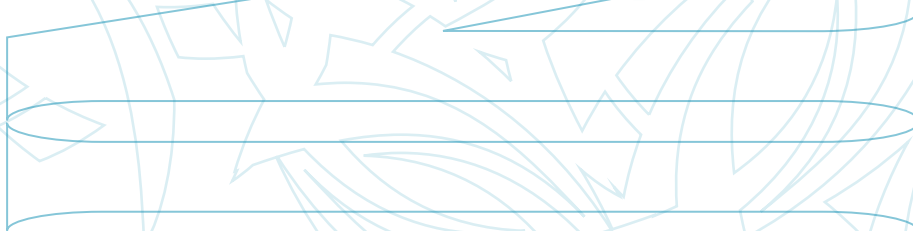
The Council and Group has not yet assessed the effects of these new standards.

## **Changes in Accounting Policies**

There have been no changes in accounting policies during the period except for those arising from the adoption of the new standards. All accounting policies have been consistently applied throughout the period covered by these financial statements.



# INVERCARGILL



# Other information



# Māori Capacity to Contribute to Decision Making



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 2020/21:

- Closer working with our liaison partners at Waihopai Runanga and Te Runaka o te Awarua, including in the remman of the Significance and Engagement policy and worknig towards Mana Whenua representatives on Council..
- Regular liaison meetings between Te Ao Mārama Inc managers and Council's Executive Leadership Team
- 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.

# Collaboration across Councils

## – Shared Services



Council participates in relevant shared service arrangements via the Southland Triennial Agreement and a Memorandum of Understanding with the other local authorities locally and nationally. There is better value obtained through those services than trying to undertake the work on our own. The following are examples of some of those collaborations.

### Iwi Liaison

All four Southland councils have continued to fund and support Te Ao Marama Inc, the agency approved by Te Runanga o Ngāi 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 Marama Inc. The four papatipu rūnanga and the participant councils also continue to meet through Te Roopu Taiao hui, which allow for exchange of information and identification of opportunities to work together.

### Building Control

Four southern territorial authorities including Southland District Council (SDC), Invercargill City Council (ICC), Gore District Council (GDC) and Clutha District Council (CDC) continue to work closely together on building control matters under the Southern Shared Services Group in terms of both information sharing and staff exchanges to support each other at busy times.

Eleven building control authorities (BCAs), Southland District Council (SDC), Invercargill City Council (ICC), Gore District Council (GDC), Clutha District Council (CDC), Dunedin City Council, Central Otago District Council, Mackenzie District Council, Queenstown Lakes District Council, Timaru District Council, Waimate District Council and Waitaki District Council, meet regularly both as a BCA managers' group and a quality assurance leaders group under the Southern Building Controls Group. They have developed a collaborative environment for consistency in processes as well as shared regulation forms and continuous improvement ideas.

The networking and engagement of these collaboration groups helps to standardise the consent processing

methodology and quality assurance processes, improving the communities' experiences when working with a variety of councils in the South Island.

### Emergency Management

Emergency Management Southland (EMS) is a shared service between Invercargill City Council, Southland District Council, Environment Southland and Gore District Council. It focuses on ensuring resilience in communities by preparing for emergencies and ensuring communities 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.

During 2020/21 EMS continued to support the COVID-19 response.

### Information Technology

The IT Shared Services Operations Sub-Committee has undertaken some activities over the past 12 months that will align the operations of member councils and provide a more collaborative platform moving forward.

Shared Services initiatives that were completed during the past year included:

- A complete infrastructure resilience program of work was implemented. Datto technology was chosen as the backup and recovery solution with a cloud-first approach being utilised that is scalable in the event of a disaster.
- The Geographic Information System (GIS) portal programme of work was commenced. Guiding principles, opportunities and outcome statements were developed and a timeline completed.

Workshops have been held to advance the foundation work for a GIS shared service portal.

- Member councils supported each other during the COVID-19 lockdown period to ensure high availability of networks and services to enable staff members to work effectively from remote locations.
- Work on a cybersecurity programme was advanced, including security awareness training, penetration testing and incident response plans to ensure the right technologies, education, and resources are in place.

### **SouthLib Library Consortium**

In 2009, all eight Councils in Otago and Southland (Central Otago District Council, Clutha District Council, Dunedin city Council, Gore District Council, Invercargill City Council, Southland District Council, Queenstown Lakes District Council and Waitaki District Council) signed a historic Memorandum of Understanding to collaborate in the delivery of public library services across the two regions.

The SouthLib Consortium provides free reciprocal membership of any public library in the Otago and Southland regions to permanent residents living anywhere in the regions. This means that the more than 300,000 people living in Otago Southland have free access to 35 public library branches, 3 Bookbuses and a collection of more than 1.5M items.

The consortium came together to share a range of services which 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 in 2016/2017 although most consortium members still use the symphony management system. Dunedin City, Central Otago, Queenstown Lakes

Districts and Southland District have joined the national consortium, Kōtui, 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.

Purchase of large print, audio, e-book and e-audio collections have long been shared by the consortium and these collections are exchanged, or made available, to all members. Authors visits are co-ordinated to minimise costs/travel and accommodation.

### **Regional Development**

In October 2015, the Southland Mayoral Forum published the Southland Regional Development Strategy. The major goal of the Strategy and its subsequent Action Plan is to increase the Southland population by 10,000 more people by 2025, through creating more jobs and taking up more development opportunities.

The Southland Regional Development Agency (branded as "Great South") which integrates the former Venture Southland, was formed and directors appointed taking effect as of 1 July 2019. Great South is a Council-Controlled Organisation with a broad range of shareholders helping to drive regional growth including the Invercargill City Council, Southland District Council, Gore District Council, Environment Southland, Invercargill Licensing Trust, Maita Licensing Trust, Southland Chamber of Commerce and the Southern Institute of Technology. Great South also has the support of Community Trust South which is a member of the shareholder committee.

## Regional Planning

The Regional Planning Working Group (comprising staff from Environment Southland, Invercargill City Council, Southland District Council and Gore District Council) coordinated a joint elected representative workshop in February 2021. Present were officials from the four Councils along with Te Ao Marama Inc Board members. The workshop covered Three Waters reforms, regional climate change work, environmental reform (repealing the RMA and introducing three new acts) and the national policy statements for water and biodiversity and explored opportunities to work together. Workshop participants were keen to progress the establishment of a joint Council approach to climate change action in the region with regional partners and the development of regional strategy has been incorporated into Environment Southland's 2021-31 Long-term Plan.

### Future Challenges

Resource Management,  
Three Waters and Local  
Government Reform

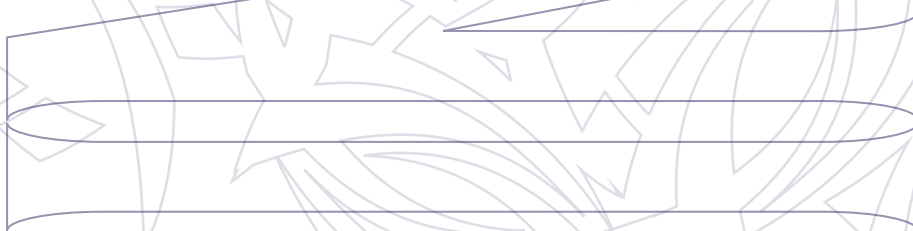
Adapting to impacts of  
climate change

The proposed closure of  
Tiwai Aluminium Smelter

Freshwater and estuary  
health and implementation  
of Te Mana o te Wai



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