

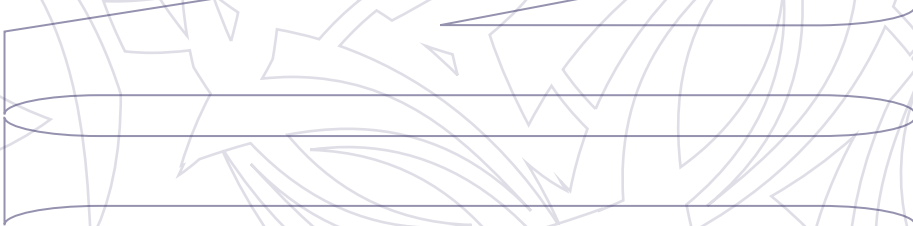
2021

RECOVER

Annual  
Report  
Summary



# INVERGILL



# 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'.

Sir Tim Shadbolt  
Mayor of Invercargill

## Statement of Compliance

In the opinion of the Council and management of Invercargill City Council, this Summary Annual Report represents fairly and consistently the financial position and operations of Council as detailed in the Annual Report 2020/21 adopted on 21 December 2021. This Summary Annual Report is authorised for release by the Mayor, Chief Executive and Group Manager Finance and Assurance on 21 January 2022.



**Sir Tim Shadbolt**  
Mayor



**Clare Hadley**  
Chief Executive



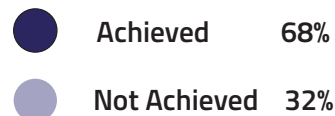
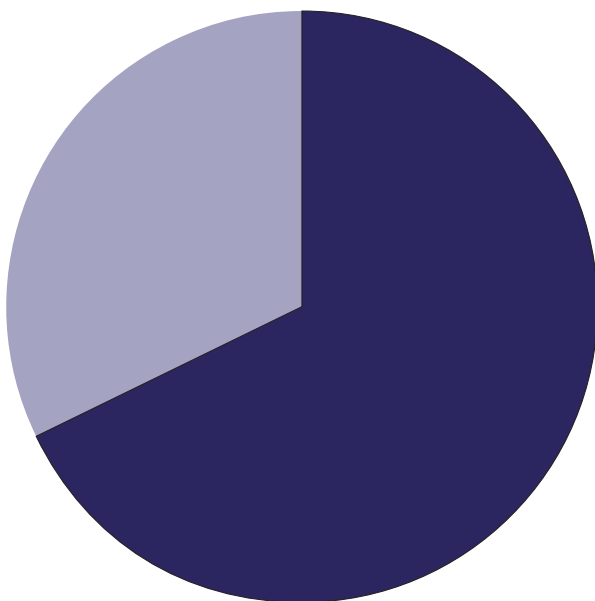
**Michael Day**  
Group Manager  
Finance and Assurance

## 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 adjacent graph, '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.



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. Roding 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 as scheduled with the activity plan, this is now out of date and they were all completed within the mandatory legislative period.

The Annual Report details each of the performance measures and their achievement for the activities. A summary of how these activities positively contribute towards the Council's 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%<br>(2019/20: Achieved - 100%)                    |
|                        | Solid Waste Management – Trend in kerbside recycling.   | Increasing Trend.            | Achieved - 3,300 tonnes<br>(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<br>(2019/20: Achieved - Maximum of 0.10) |
|                        | Community Development – Number of young people taking part in initiatives.  | 400                          | Not Achieved - 233<br>(2019/20: Achieved 1,253)                     |
|                        | Public Toilets – Public toilets are operational 95% of open hours, 24 hours per day.                                | 95%                          | Achieved - 95%<br>(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 pre-engagement 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 time 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, and 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)   |



# 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       | 56.20%     | 52.75%     |
| 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 Annual Report Notes to the Financial Statements for further information regarding rateable property numbers.

# 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

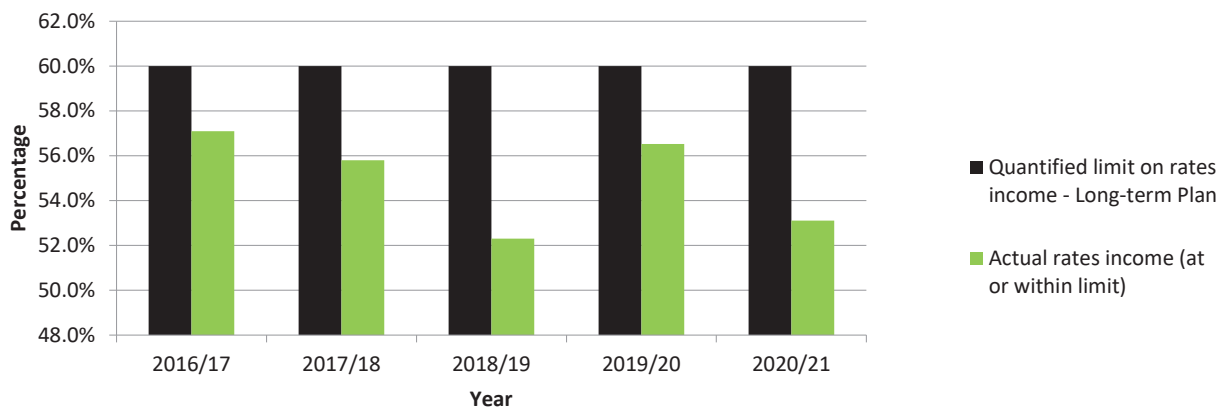
|                                     | 2016/17 | 2017/18 | 2018/19 | 2019/20 | Year of Annual Report<br>2020/21 |
|-------------------------------------|---------|---------|---------|---------|----------------------------------|
|                                     | \$'000  | \$'000  | \$'000  | \$'000  | \$'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".

### Limit On Rates



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



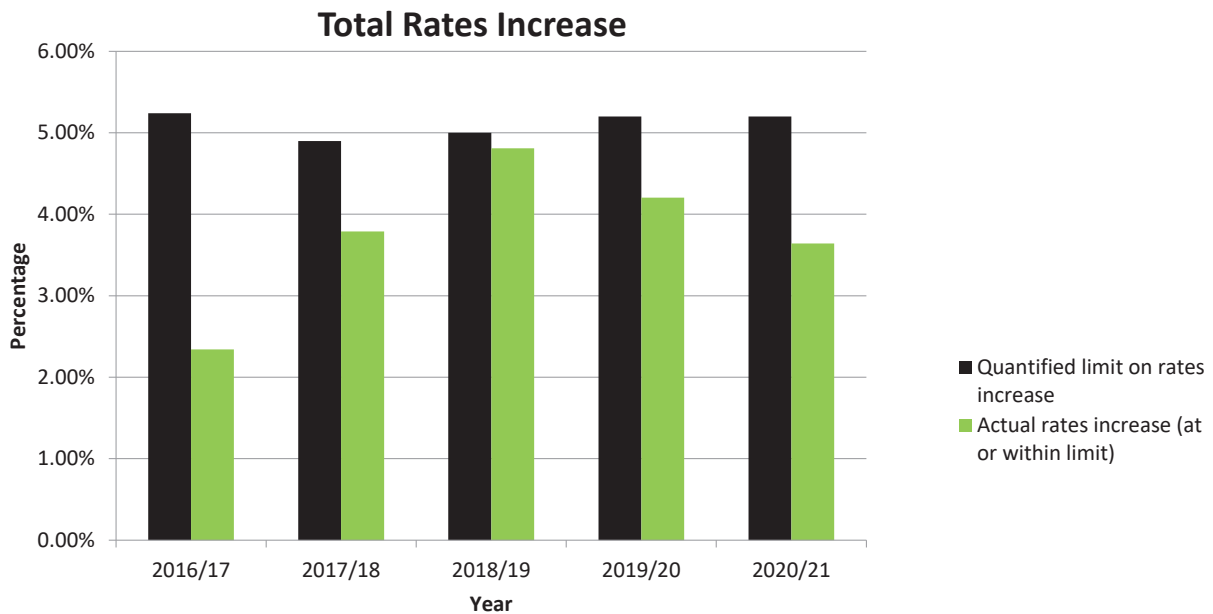
## Total Rates Increase

|                                     | 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%".



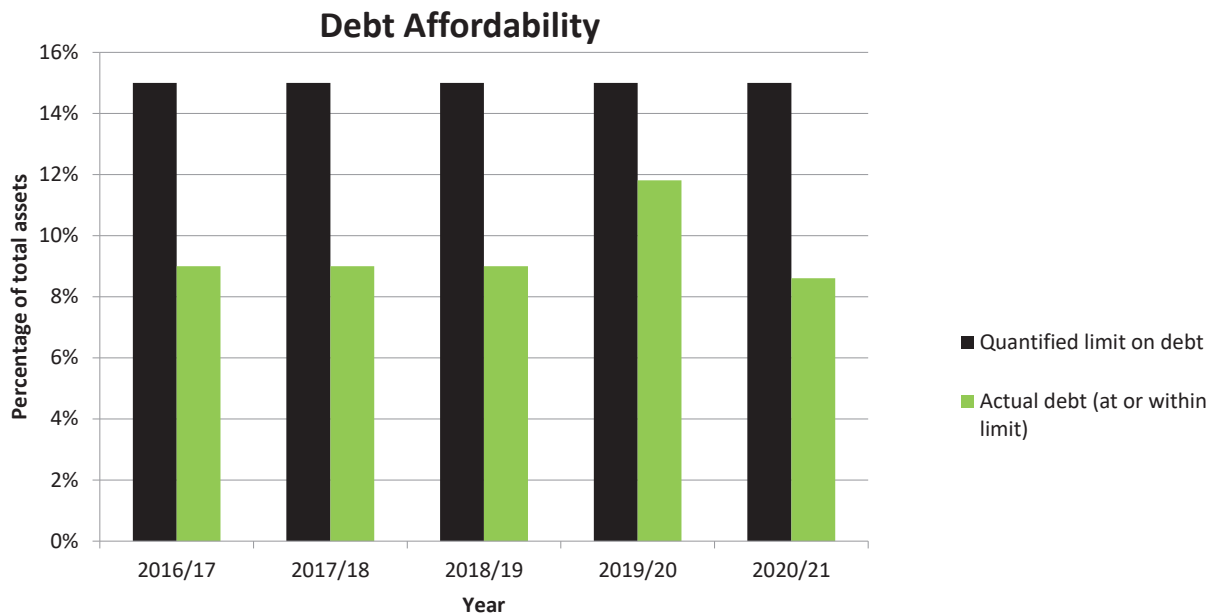
Council's financial strategy aims to limit rates increase to forecast LGCI + 3.0%. As shown above Council has achieved this goal for the last five financial years.

## 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.

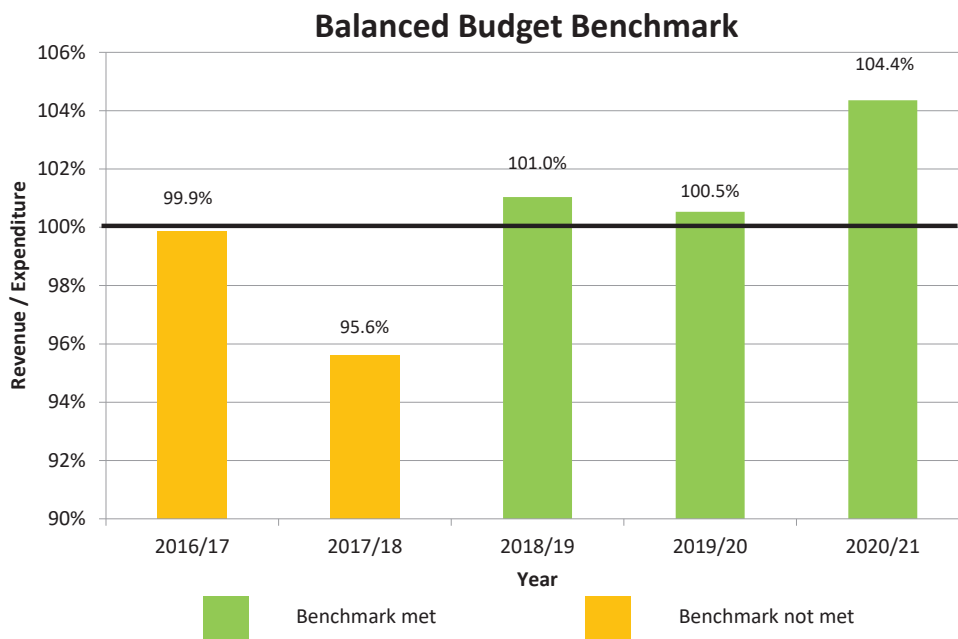


## Balanced Budget Benchmark

|                                 | 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.

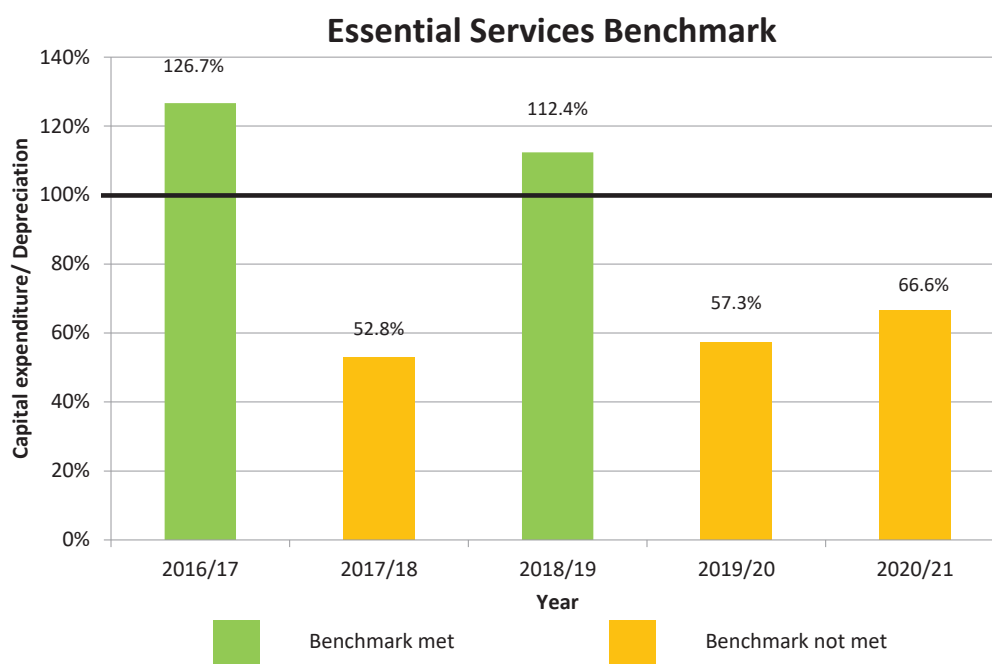
Note: Only revaluations of property, plant and equipment are excluded. Forestry revaluations and gains/losses on investments are included.

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.

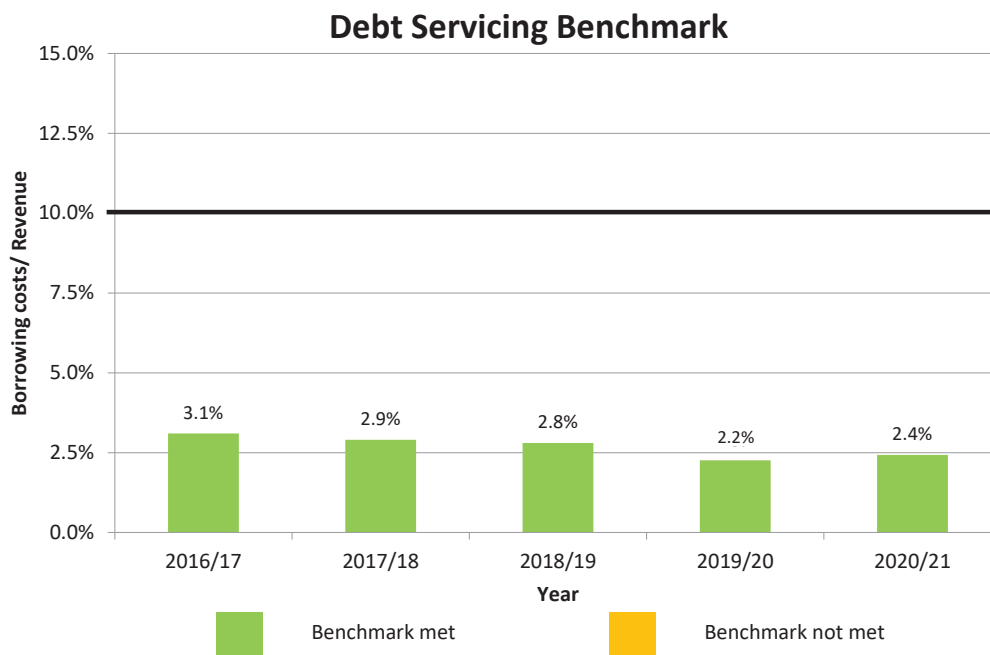


## Debt Servicing Benchmark

|                           | 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.

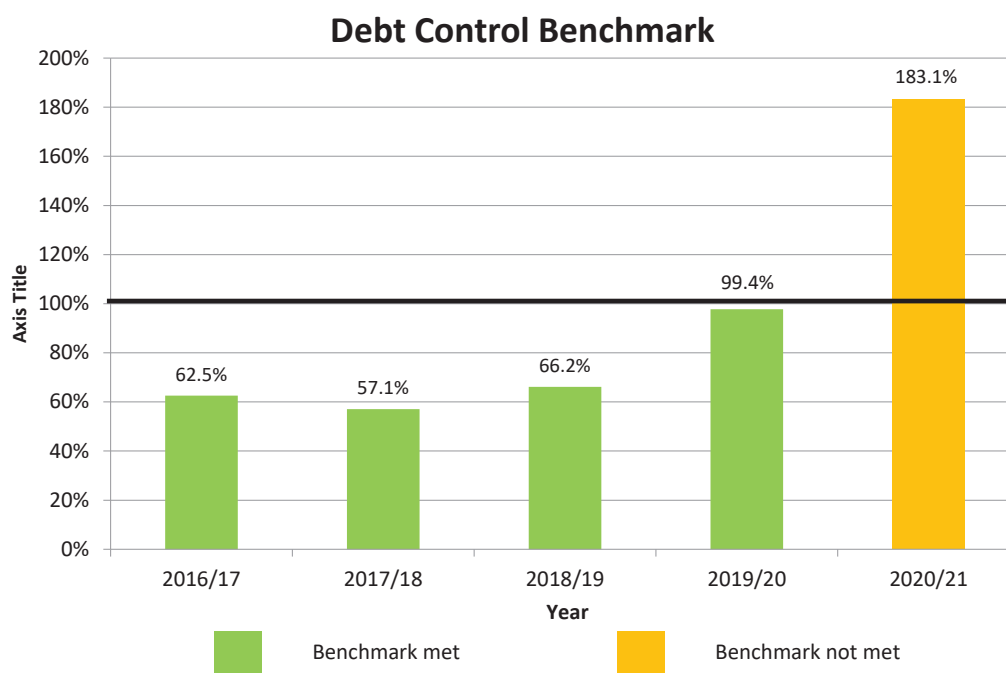
Council's cost of debt is well under the legislative threshold of 10% of revenue. Total borrowing have increased over the past two years due to the refinancing of internal debt with external debt and Council incurring more capital expenditure related debt. This has been largely offset by the Council 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)** 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.



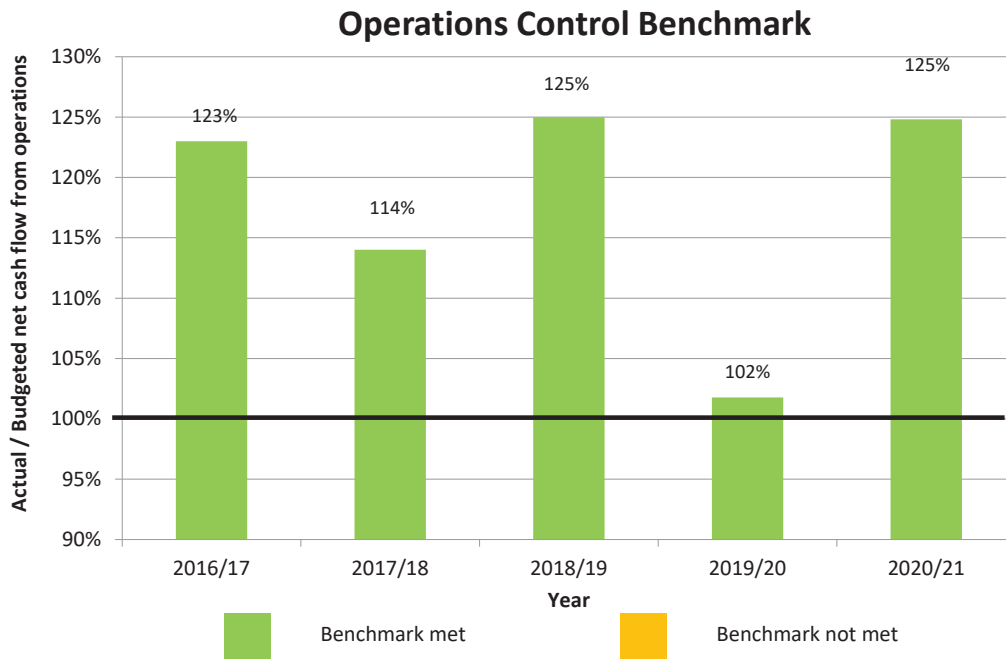


## Operations Control Benchmark

|   | 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 years' Annual Report.

^ Taken from the Statement of Cash Flows in the relevant years' 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.

# Council Group

## The 2021 year in review

|                                    |  |
|------------------------------------|--|
| <b>Total Assets</b>                | \$1.27 billion<br>2020: \$1.30 billion |
| <b>Total Liabilities</b>           | \$234 million<br>2020: \$276 million   |
| <b>Total Ratepayers funds</b>      | \$1.03 billion<br>2020: \$1.02 billion |
| <b>Total Revenue</b>               | \$127 million<br>2020: \$118 million   |
| <b>Total Operating expenditure</b> | \$133 million<br>2020: \$125 million   |
| <b>Total surplus before tax</b>    | \$5 million<br>2020: \$6 million       |

The Council Group includes a number of trading entities together with commercial joint venture and associate entities which are monitored by Invercargill City Holdings Limited. The Council also monitors a number of smaller entities and associate entities that support the Council operations and objectives.

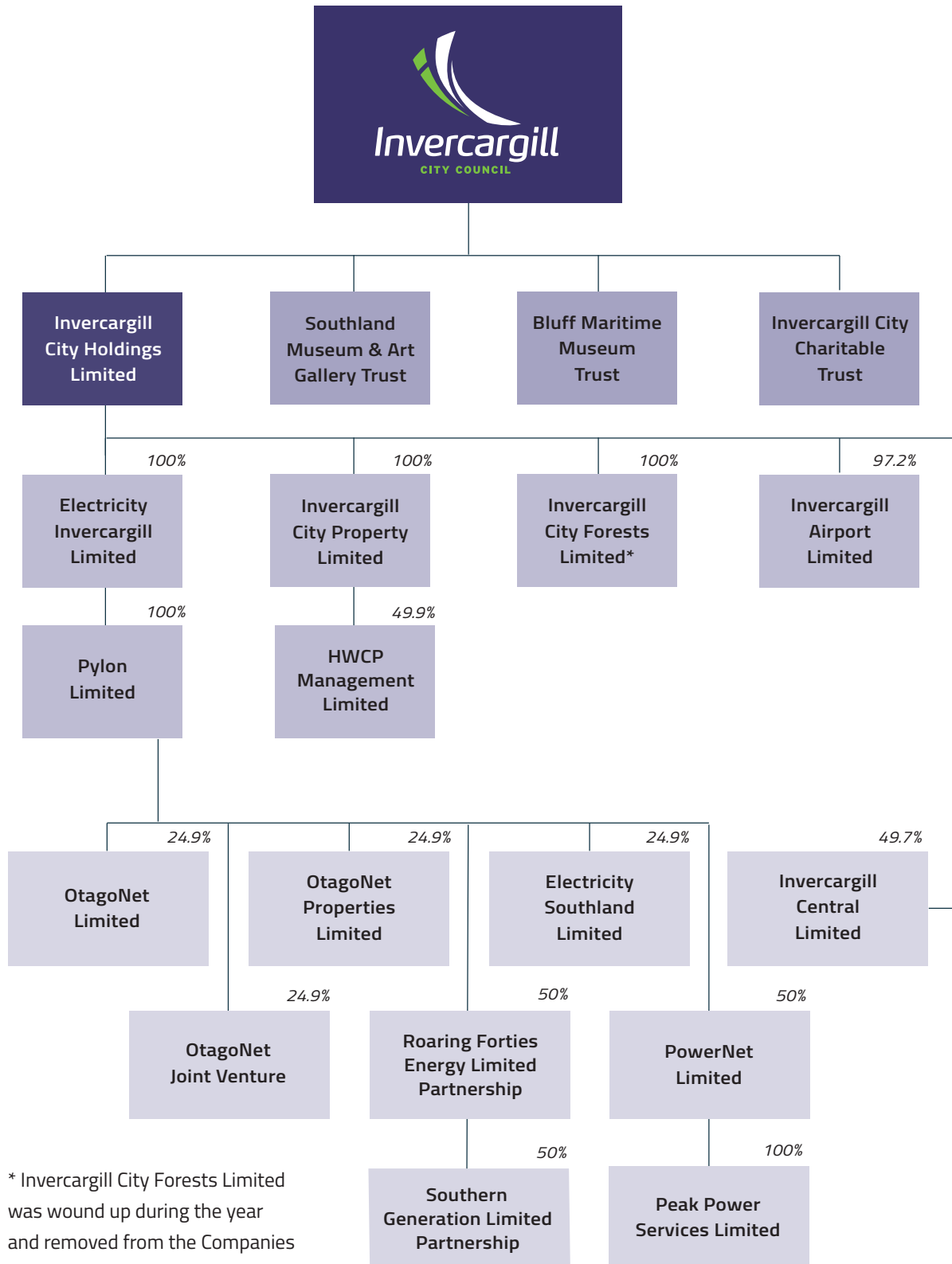
Highlights for the year for group entities included:

- Settlement of the sale of Invercargill City Forests Limited forest estate.
- Invercargill City Holdings Limited completing the equity investment of \$38.5 million in Invercargill Central Limited. An additional \$4.7 million was invested post year end. Invercargill Central Limited has progressed with the construction of the inner city development.
- Invercargill Airport Limited had a 4% increase in passenger numbers from 2020 and returned to pre COVID-19 levels by year end.
- Electricity Invercargill Limited continues to diversify its investments, including settlement of a small hydro scheme.



## Council Group Structure

As at June 30, 2021



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

## Summary Financial Table

As at June 30, 2021

|  | Income          | Total Comprehensive Income |                 |
|--|-----------------|----------------------------|-----------------|
|  | 2021<br>(\$000) | 2021<br>(\$000)            | 2020<br>(\$000) |
| Invercargill City Holdings Group   | 27,067          | 12,278                     | 12,339          |
| Electricity Invercargill Limited   | 21,246          | 10,968                     | 8,078           |
| Invercargill Airport Limited   | 6,125           | 1,268                      | 125             |
| Invercargill City Property Limited   | -               | (262)                      | (285)           |
| Southland Museum and Art Gallery Trust (unaudited)*                                  | 2,202           | (5)                        | (76)            |
| Invercargill City Charitable Trust (unaudited)*                                      | 28              | (773)                      | (1,698)         |
| Bluff Maritime Museum Trust Board (unaudited)*                                       | 110             | 27                         | 24              |
| Southland Regional Development Agency Limited<br>trading as Great South (unaudited)* | 7,746           | 949                        | (67)            |

For more detail refer to individual organisation reports.

\* Note that these financial results are interim as the audits are yet to be completed. Financial statements for these entities will become available as audits are completed in early 2022.

# Audit Opinion



AUDIT NEW ZEALAND

Mana Arotake Aotearoa

## Independent Auditor's Report

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

The summary of the annual report was derived from the annual report of the Invercargill City Council (the City Council) for the year ended 30 June 2021.

The summary of the annual report comprises the following summary statements on pages 4 to 9 and 24 to 29:

- the summary statement of financial position as at 30 June 2021;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and cash flow statement for the year ended 30 June 2021;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary of service.

### Opinion

In our opinion:

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

However, the summary financial statements includes a limitation of scope to the equivalent extent as the full audited financial statements in relation to the carrying value of the City Council and Group's revalued property, plant and equipment. This limitation is explained below in *The full annual report and our audit report thereon* section.

### Summary of the annual report

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

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

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

We expressed a qualified opinion on the financial statements and an unmodified opinion on the other audited information in the full annual report for the year ended 30 June 2021 in our auditor's report dated 21 December 2021. The basis for the qualified opinion on the financial statements is explained below.

As stated in the statement of accounting policies on page 207 to the financial statements in the full annual report, 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 to the financial statements in the full annual report 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.

Information about this matter is also disclosed in note 1 of the summary financial statements.

Our auditor's report on the full annual report also includes an emphasis of matter paragraph drawing attention to the disclosures about the Government's three waters reform programme announcement as set out in the full annual report in note 31 to the financial statements. 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. This matter is addressed in note 5 of the summary financial statements.

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

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



### **Auditor's responsibility**

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

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

In addition to our audit 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 the City Council or any of subsidiaries and controlled entities.

A handwritten signature in black ink, appearing to read 'Dereck Ollsson'.

Dereck Ollsson,  
Audit New Zealand  
On behalf of the Auditor-General  
Christchurch, New Zealand  
21 January 2022

# Summary Financial Statements

## Summary Statement of Financial Position

As at June 30, 2021

|  | 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>Assets</b>  |                           |                           |                           |                           |                                       |
| Current assets   | 75,358                    | 109,682                   | 90,312                    | 88,677                    | 125,239                               |
| Non-current assets                                     | 960,950                   | 942,612                   | 972,028                   | 1,176,326                 | 1,170,666                             |
| <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>                                     |                           |                           |                           |                           |                                       |
| Current liabilities                                    | 33,260                    | 64,233                    | 67,240                    | 124,108                   | 73,490                                |
| Non-current liabilities                                | 82,272                    | 69,568                    | 80,669                    | 110,268                   | 202,785                               |
| <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>Net assets</b>                                      | <b>920,776</b>            | <b>918,493</b>            | <b>914,431</b>            | <b>1,030,627</b>          | <b>1,019,630</b>                      |
| <b>Equity</b>  |                           |                           |                           |                           |                                       |
| Retained earnings                                      | 376,475                   | 379,773                   | 366,796                   | 453,163                   | 440,460                               |
| Other Reserves   | 544,301                   | 538,720                   | 547,635                   | 577,464                   | 579,170                               |
| <b>Total ratepayers funds</b>                          | <b>920,776</b>            | <b>918,493</b>            | <b>914,431</b>            | <b>1,030,627</b>          | <b>1,019,630</b>                      |
| Total equity attributable to Council                   | 920,776                   | 918,493                   | 914,431                   | 1,028,843                 | 1,017,882                             |
| Total equity attributable to non controlling interests | -                         | -                         | -                         | 1,784                     | 1,748                                 |





## Summary Statement of Comprehensive Revenue and Expense

For the year ended June 30, 2021

|   | 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) |
| Rates revenue   | 57,573                    | 56,767                    | 55,550                    | 57,573                    | 55,550                                |
| Other revenue   | 50,835                    | 41,668                    | 42,729                    | 69,701                    | 62,736                                |
| <b>Total Revenue</b>  | <b>108,408</b>            | <b>98,435</b>             | <b>98,279</b>             | <b>127,274</b>            | <b>118,286</b>                        |
| Finance costs   | 2,767                     | 3,140                     | 2,263                     | 5,362                     | 5,176                                 |
| Other expenses  | 106,362                   | 97,005                    | 96,570                    | 127,159                   | 119,751                               |
| <b>Total operating expenses</b>                                 | <b>109,129</b>            | <b>100,145</b>            | <b>98,833</b>             | <b>132,520</b>            | <b>124,927</b>                        |
| Other gains and losses  | 5,110                     | 964                       | 910                       | 6,080                     | 8,762                                 |
| Associate and joint venture gains and losses                    | -                         | -                         | 656                       | 4,041                     | 4,268                                 |
| Surplus (deficit) before income tax expense                     | 4,389                     | (746)                     | 1,012                     | 4,875                     | 6,389                                 |
| Income tax (expense) / credit                                   | -                         | -                         | -                         | (2,862)                   | (2,912)                               |
| <b>Surplus for the period</b>                                   | <b>4,389</b>              | <b>(746)</b>              | <b>1,012</b>              | <b>2,013</b>              | <b>3,477</b>                          |
| <b>Other comprehensive revenue and expense</b>                  |                           |                           |                           |                           |                                       |
| Property, plant and equipment revaluation gains/(losses)        | -                         | -                         | -                         | 4,784                     | 2,629                                 |
| Carbon credit revaluation gains/(losses)                        | 367                       | -                         | 288                       | 367                       | 1,579                                 |
| Cash flow hedges  | 1,589                     | -                         | (1,033)                   | 3,833                     | (2,271)                               |
| Total 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>Surplus for the period attributable to:</b>                  |                           |                           |                           |                           |                                       |
| Council   | 4,389                     | (746)                     | 1,012                     | 1,977                     | 3,454                                 |
| Non controlling interests                                       | -                         | -                         | -                         | 36                        | 23                                    |
|   | 4,389                     | (746)                     | 1,012                     | 2,013                     | 3,477                                 |
| <b>Total comprehensive revenue and expense attributable to:</b> |                           |                           |                           |                           |                                       |
| Council   | 6,345                     | (746)                     | 267                       | 10,961                    | 5,391                                 |
| Non controlling interests                                       | -                         | -                         | -                         | 36                        | 23                                    |
| <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>                          |

## Summary Statement of Changes in Equity

For the year ended June 30, 2021

|  | 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) |
| Opening equity (restated)  | 914,431                   | 919,239                   | 914,164                   | 1,019,630                 | 1,015,506                             |
| Total comprehensive revenue and expenses attributable to:                  |                           |                           |                           |                           |                                       |
| Council  | 6,345                     | (746)                     | 267                       | 10,961                    | 5,391                                 |
| Non controlling interests  | -                         | -                         | -                         | 36                        | 23                                    |
| <b>Total comprehensive revenue and expenses for the period, net of tax</b> | <b>6,345</b>              | <b>(746)</b>              | <b>267</b>                | <b>10,997</b>             | <b>5,414</b>                          |
| Other reserves   | -                         | -                         | -                         | -                         | (1,290)                               |
| <b>Closing equity</b>  | <b>920,776</b>            | <b>918,493</b>            | <b>914,431</b>            | <b>1,030,627</b>          | <b>1,019,630</b>                      |

## Summary Cash Flow Statement

For the year ended June 30, 2021

|   | 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) | Actual<br>2020<br>(\$000) |
| Net cash provided by/(used in) operating activities | 32,971                    | 26,414                    | 28,316                    | 28,525                    | 27,943                    |
| Net cash provided by/(used in) investing activities | (6,510)                   | (26,414)                  | (64,076)                  | 34,176                    | (72,290)                  |
| Net cash (used in)/provided by financing activities | (36,293)                  | -                         | 34,995                    | (67,193)                  | 42,645                    |
| <b>Net increase in cash and cash equivalents</b>    | <b>(9,832)</b>            | <b>-</b>                  | <b>(765)</b>              | <b>(4,493)</b>            | <b>(1,702)</b>            |
| Cash and cash equivalents at beginning of year      | 26,505                    | 14,738                    | 27,270                    | 30,389                    | 32,091                    |
| <b>Cash and cash equivalents at end of year</b>     | <b>16,673</b>             | <b>14,738</b>             | <b>26,505</b>             | <b>25,896</b>             | <b>30,389</b>             |

# Notes to the Financial Statements



For the year ended June 30, 2021

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

## 1. Basis of preparation

The Council is a public benefit entity for financial reporting purposes. The financial statements have been prepared in accordance with Tier 1 PBE accounting standards and comply with Public Benefit Entity standards and other applicable Financial Reporting Standards, as appropriate for public benefit entities. The Annual Report 2020/21 includes a Statement of Compliance to this effect.

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

Audit New Zealand has audited Council's full Annual Report and Summary and has issued a modified audit opinion in relation to the value of the Council and Group revalued property plant and equipment. The modification relates to the conclusion by Council that there had been no indicators of a material change in fair value of the assets that would require asset revaluations to be undertaken 12 months earlier than the standard revaluation cycle. Audit New Zealand concluded that there were such indicators and that there could be a material increase in the value of these assets and revaluations should have been undertaken.

The disclosures included in the summary financial statements have been extracted from the full financial information in the Annual Report 2020/21 which was adopted by the Council on 21 December, 2021.

The summary financial statements do not include all the disclosures provided in the Annual Report 2020/21 and cannot be expected to provide as complete an understanding as provided by the full financial statements.

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

## 2. Capital commitments

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

| Commitments  | Council                   | Council                   | Group                     | Group                     |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | Actual<br>2021<br>(\$000) | Actual<br>2020<br>(\$000) | Actual<br>2021<br>(\$000) | Actual<br>2020<br>(\$000) |
| Capital expenditure - Infrastructure   | 6,102                     | 675                       | 6,102                     | 675                       |
| Capital expenditure calculated 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>              |

Further detail can be found in note 28 of the 2020/21 Annual Report.

### 3. Contingencies

The Council and Group have a number of contingent liabilities recorded in the 2020/21 Annual Report relating to the following issues:

- Local Government Funding Agency guarantee liability
- Carter Holt Harvey Limited's High Court proceedings with the residential homeowners in respect of building products
- 20 Spey Street property containment of contamination issue
- Forestry – deforestation liability
- Shadbolt v Invercargill City Council court case
- Asbestos has been identified in a number of Council properties to be remedied
- Three Waters Reform Incentive funding
- Shovel Ready Projects funding
- Holidays Act 2003
- Provincial Growth Fund grant provided to IAL
- Rugby Park Stadium

Council has not recognised a liability in the Statement of Financial Position because either the quantum of the potential liability could not be calculated or there is an extremely low probability of a liability being enforced. More detailed information is included in note 29 of the Annual Report.

### 4. Variances against budget

#### Comprehensive revenue and expenses

Total revenue is \$9.973 million higher than budget. This is due to an additional:

- \$0.8 million of rates income, due to penalties and increased property values;
- \$3.2 million of subsidies and grants, due to greater NZTA funding;
- \$5.5 million of direct charges revenue, due to increased revenue from timber sales and higher user fees income reflecting a greater uptake of Council services; and
- \$1.5 million of subvention payment revenue. offset by reductions of
- \$0.2 million in rental income due the Don Street building being budgeted as fully tenanted,
- \$0.4 million in finance revenue due to lower interest rates; and
- \$0.4 million in dividends due to a lower payment from ICHL

Total Operating expenses are \$9 million higher than budget

This includes an additional

- \$9.4 million of general expenses due to higher maintenance costs associated with monument restoration, sewerage and roading streetscape initiatives that are not considered capital expenditure and increased WasteNet management fees
- \$0.5 million of depreciation

Offset by a lower

- \$0.5 million of employee expenses reflecting staff vacancies during the year as the budget was set assuming all roles were filled
- \$0.4 million of finance expenses due to total borrowing being lower than budget. The lower debt is the result of debt repayment and capital project delays.

Other gains and losses is \$4.1 million higher than budget due to gains on the revaluation of investment property and forestry assets and gains on the disposal of property, plant and equipment.

Total other comprehensive income is \$2 million higher than budget due to gains on cashflow hedges.

#### Financial position

Total assets are \$16.0 million lower than budget this is principally due to work in progress and property, plant and equipment being lower due to delays in capital delivery.

Total liabilities are \$18.3 million lower than budget principally due to borrowings being \$26 million lower than budget offset by an \$8.6 million increase in trade and other payables.

A more comprehensive review of performance against budget is included in the full annual report at note 34.

## 5. Events after balance date

The significant events after balance date are summarised below. All events after balance date are detailed in Note 31 of the 2020/21 Annual Report.

### Sale of Investment Property

Sale of 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.

### Three Waters Reform

In July 2020, the Government launched the Three Waters Reform Programme – a three year programme to reform local government three waters service delivery arrangements. 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 Water Service Entity (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 the annual report was approved there was 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 from 30 Mayors and councils to the Prime Minister sought a meeting to address the now forced reform as the model being mandated wasn't acceptable to Councils or communities.

### 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.

### Invercargill Community Recreation & Sports Trust

Invercargill Community Recreation & Sports Trust passed a resolution in August 2021 that the Active Fund would be transferred, in its entirety, to Active Southland. The administration of the fund will 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

ICHL issued a redemption notice in relation to redeemable preference shares on issue on 8 July 2021. These were redeemed on 12 July 2021. A further 16,777,000 ordinary shares at \$1.00 were issued to Council on 14 July 2021.

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

### Invercargill Airport Limited

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 has been removed from the Companies register in August 2021 as its assets have been sold and distributed in accordance with its constitution.

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



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