



2021-2022

Annual Report

Our Roadmap to Renewal



He Ngākau Aroha - Our City with Heart



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Private Bag 90104, Invercargill, New Zealand.
Tel: +64 3 211 1777
Web: <http://www.icc.govt.nz>

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Invercargill introduced

Nau mai ki Waihōpai



Statistics New Zealand estimated the population of Invercargill in 2020 at 57,100.

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

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 through the year.

All figures are GST exclusive unless otherwise stated

Introduction

Tīmatanga kōrero



Welcome to the Invercargill City Council's Annual Report 2022

The introduction to this report describes the city we live in and its vision for the future. It includes a message from Invercargill Mayor Nobby Clark and Council Chief Executive Clare Hadley, reflecting on the Council's achievements over the past year.

What is the Annual Report?

The Annual Report outlines how Council has performed in delivering its services to the community and in managing its finances to enable that delivery. The Annual Report includes a summary of performance showing how we have done in delivering the Council's levels of service laid out in the Long-term Plan. It also includes our statements of financial performance for the year, showing how Council and our Council controlled organisations, have managed income and expenditure for the period.

Mayor's Comment

Ngā kōrero a te Koromatua



As I begin my first term as Mayor of Invercargill, I am looking forward to the continued progression of our great city. On reflection of the past few eventful years, our community has navigated its way through Covid-19 and the uncertainties that came with it and I am proud of the resilience we Southlanders have. Now that we are coming into our "new normal", I look forward to seeing Southland open up to the rest of the world.

Invercargill is transforming at an amazing rate. This year we saw the opening of the first stage of the inner city development, as well as the opening of the city's newest hotel – The Langlands.

Our work on the Stead Street Stopbank Upgrade is an important addition to the city. The installation of cultural artwork along Stead St will not only offer a warm welcome to the city, but it will also celebrate the Māori culture and heritage Invercargill was built on.

Work on this project came with some disruption for Ōtātara residents and Southlanders wanting to recreate in the area by having the road connecting Invercargill to Ōtātara down to one lane for four months. I know this was an inconvenience at the time but I'm sure the community feels it was worth the disturbance to ensure we can protect our infrastructure and future generations.

The Branxholme Pipeline Upgrade is another important and necessary project Council has undertaken. The replacement of more than 10km of pipe will improve the resilience of Invercargill's water main supply and will ensure the continued supply of clean and safe drinking water to Invercargill for the next 100 years.

This year, we completed extensive repairs to the historic Anderson House, which was closed in 2014 due to safety concerns. After 10 months of earthquake strengthening and exterior repairs, I was pleased to be able to officially open it in November for the city to enjoy once again.

Another exciting change that has come to Invercargill is the replacement of our parking meters. We heard community feedback and in December 2021, new modern kiosks were installed throughout the city. This brings us up in line other centres such as Dunedin, Blenheim, Gore and Queenstown.

All of these projects are helping make Invercargill a city with heart. Together with the progress being made on a new museum, Invercargill is moving at an incredible pace. It's an exciting time in Invercargill with so many great projects under way and I'm looking forward to seeing what our city will become.

A handwritten signature in black ink, consisting of a large, stylized initial 'M' followed by a series of connected loops and a long horizontal stroke.

Chief Executive's Comment

Ngā kōrero a te tātūhū rangapū



In the year since our last Annual Report, we are seeing many developments completed in the city, a sign that despite it being slow, we are recovering from the Covid-19 pandemic.

The past few months alone we have seen the completion of the Stead Street Stopbank Upgrade, the completed first stage of the Invercargill Central Ltd inner-city development and good progress being made on the City Streets project.

It will be particularly pleasing to see the completion of the cultural artwork that will welcome visitors coming from Airport Ave as we continue to improve our relationship with local iwi.

Thanks to Kānoa - the Regional Economic Development Investment Unit – 70% of the Stead St project cost was funded with their contribution of \$10.8 million, while Council invested \$4.7 million. The project was completed on budget in November.

Last year we welcomed Pania Coote, of Te Rūnanga o Awarua, and Evelyn Cook, of Waihōpai Rūnaka, who were appointed to be Council's mana whenua representatives. This was a significant moment for us as it was the first time in 150 years of Local Government in Invercargill that mana whenua has had formal roles at Council.

Because of this, we have been able to work together closely to recognise our forebears and Māori whakapapa (ancestry) in Southland.

While we are all aware that the past few years have been extremely uncertain, it is encouraging to see people enjoying the leisure and activities our city has to offer.

The Covid pandemic has had a negative impact on visitor and revenue numbers to our city and it has been disheartening to see a lack of patronage to our facilities, such as the Civic Theatre, Splash Palace and the Library. However, we're already starting to see confidence in the community and the re-emergence of our pre-Covid lifestyles once again.



Elected Members

Kōwhiri huānga

The Invercargill City Council is chosen by the Invercargill public in elections held every three years. There will be an election during the time of this Annual Report.

During 2021 the Council made the decision to add Mana whenua representatives from Te Rūnanga o te Awarua and Waihōpai Rūnaka. Reverend Evelyn Cook represents Waihōpai Rūnaka and Mrs Pania Coote represents Te Rūnanga o te Awarua.



2021 - 2022 Invercargill City Mayor and Councillors

Front: His Worship the Mayor Sir Tim Shadbolt.

From left: Cr Nobby Clark (Deputy Mayor), Cr Allan Arnold, Cr Lesley Soper, Cr Peter Kett, Cr Graham Lewis, Cr Nigel Skelt, Cr Alex Crackett, Cr Rebecca Amundsen, Reverend Evelyn Cook (Waihōpai Rūnaka Representative), Cr Marcus Lush, Cr Ian Pottinger, Cr Darren Ludlow.

Absent: Cr Lindsay Abbot, Pania Coote (Rūnanga o te Awarua Representative).

Maori Capacity to Contribute to Decision Making

The role of Māori, and Kāi Tahu (Ngāi Tahu), as Takata Whenua, as represented by Waihōpai Rūnaka and Te Rūnanga o Awarua, as a partner of Council is recognised.

Council lays out its commitment to capacity building for Māori in decision making and engagement with Māori in its Significance and Engagement Policy.

Council achieved a milestone in 2021, establishing the roles of Mana Whenua representatives for both Waihōpai Rūnaka and Te Rūnanga o Awarua on its standing committees. This has enabled Mana Whenua to have a voice as part of decisions across the wide range of business which Council has undertaken over the year.

Council has worked in partnership with both Rūnaka on a range of projects including cultural narrative for the city streets development, the completion of cultural interpretation for the Invercargill-Bluff cycleway, the development of the Stead St Stopbank, the Just Transitions community capacity building project, inclusion of more Te Reo options for road names and a range of other initiatives.

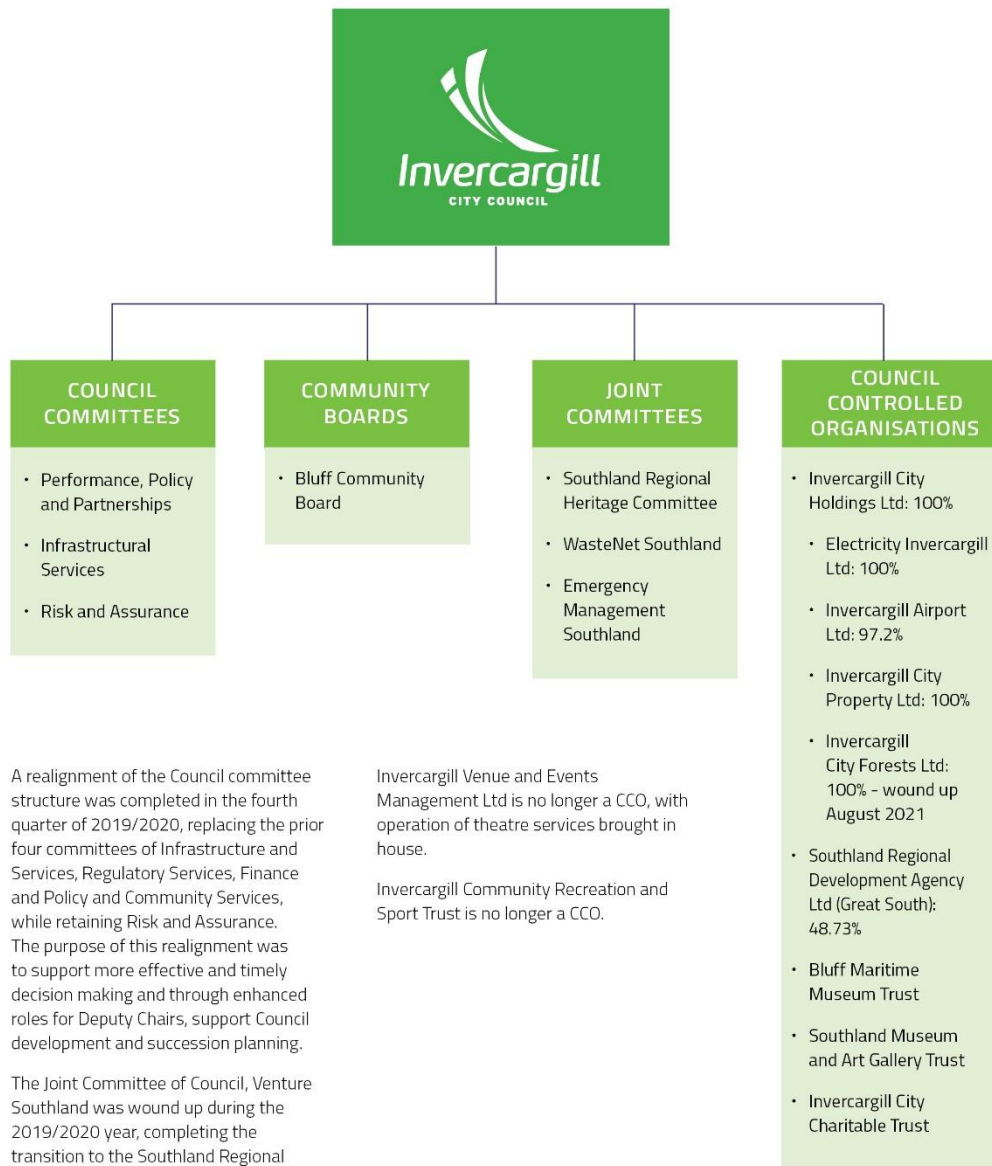
Council has continued to work closely with Te Ao Marama Inc to ensure that our responsibilities under the Local Government Act and the Resource Management Act are met and the needs and interests of Takata Whenua as kaitiaki of the takata, whenua, wai and taiao are understood and represented.

Council Structure

Te hanganga kaunihera

Council Structure

Te hanganga kaunihera



Highlights

Ngā kaupapa nui

The Council provides the services needed to keep the city running, including supplying water, removing wastewater and collecting rubbish. In addition to leading many significant rebuild projects, it carries out large infrastructure, building and community projects as part of its long-term programme to improve the city. Outlined below are some of the highlights of the past year.

Our Achievements

Ngā ā mātou whakatutuki



Our Achievements

1. Feb 2021: Feldwick Gates redevelopment
2. Aug 2021: Te Tapu o Tane Native Tree and Plant Nursery – Agreement signed with Mana Whenua
3. Oct 2021: Mana Whenua representation on committees
4. Nov 2021: Hydroslides at Splash Palace
5. Dec 2021: Parking meter upgrade
6. Dec 2021: Gostelow Park Pump Track
7. Mar 2022: Te Ara Taurapa - Bluff to Invercargill Cycleway completion
8. Mar 2022: Elles Rd roundabout upgrade - Waka Kotahi
9. Apr 2022: Relocation of Umbrella sculpture to Doon St Reserve
10. Jul 2022: Stead Street St Stopbank Upgrade
11. Jul 2022: City Block Stage One
12. Jul 2022: Bluff Information Kiosk landscaping
13. Jul 2022: City Centre Streets Stage One
14. Dec 2022: City Block Stage Two

 Financial Year



Financial Overview

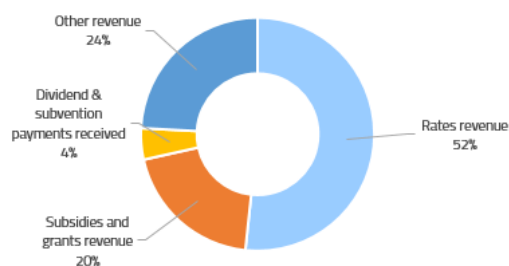
Overall Result – Council

The Council had an operational surplus after tax of \$6.6 million, which was \$3 million higher than budget and \$2.2 million higher than 2021. Revaluation gains on operational assets, carbon credits and derivatives contributed a further \$219 million to the Council's overall result. The principal change was the \$216 million increase in the value of operational assets. Council's total assets have increased to \$1.3 billion while liabilities are \$122 million.

Overall Result – Group

The Group had a surplus after tax of \$5.1 million, \$0.2 million lower than 2021. Group total assets have increased to \$1.5 billion while liabilities are \$244 million.

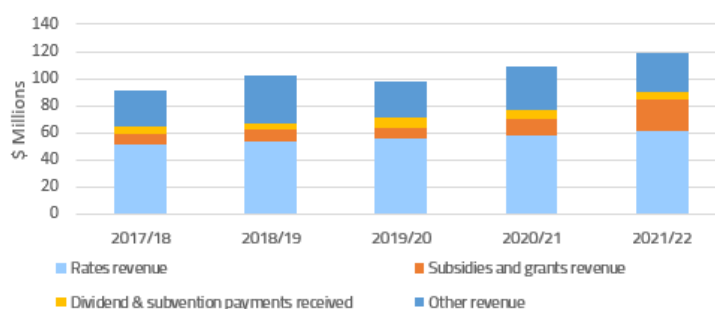
Source of Revenue - 2021/22



The results for the year ended 30 June 2022 include the impact of the growth in the number of rating units within the city. The increase in subsidies and grants reflects the Crown funding for 3 Water projects, Kanoa funding for Stead Street together with the city's Waka Kotahi funding.

Total Revenue (excluding gains) of \$119 million was \$9 million higher than budget and \$10 million higher than 2021. This was principally due to higher subsidy and grant revenue and increases in rates revenue. The ongoing effect of Covid 19 on Council's services is reflected in the lower direct charges revenue compared to 2021.

Source of Revenue



Over the past five years

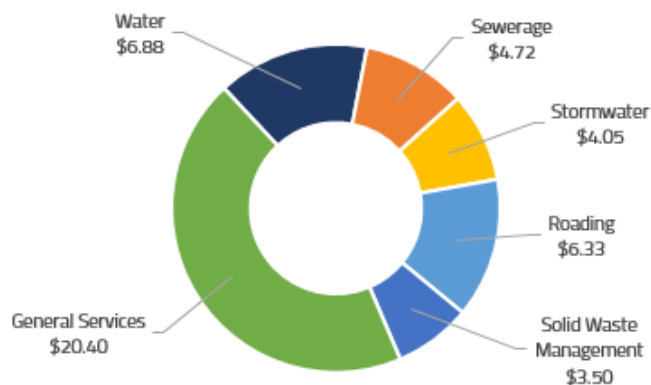
- Rates revenue has increased slowly, with a small increase in both the number of rating units and higher rates charges.
- Subsidies and grant revenue has held steady over the year except for in 2021/2022 when additional government funding was received for capital projects within the 3 waters activities.
- Other revenue has held steady.

Where do my rates go?

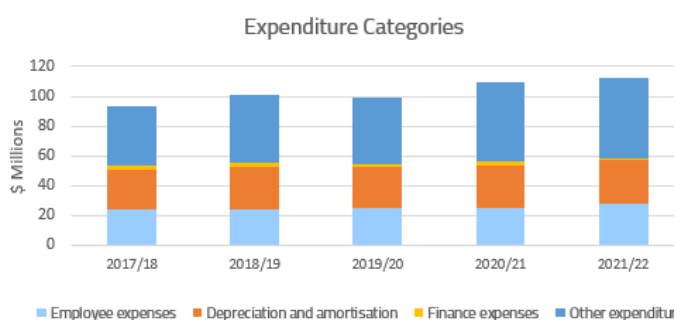
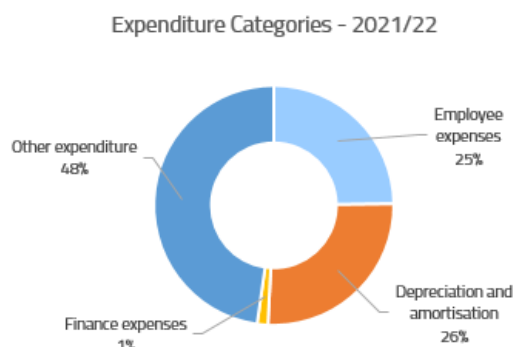
On average our activities cost \$45.88 per week

- \$15.65 goes to the three waters (water supply, stormwater and wastewater);
- \$20.40 goes to General services which includes our parks, libraries, aquatic and regulatory activities;
- \$6.33 goes to transport, and roading activities; and
- \$3.50 goes to solid waste.

Where does my rates go each week?



Total expenditure



Expenditure excluding depreciation of \$83 million was \$4 million higher than budgeted and \$3 million higher than 2021. This is principally the result of lower employee vacancies and higher other expenditure driven by the increase in solid waste activity, These were partially offset by lower finance costs.

Employee expenses of \$28 million represents 25% of total expenditure which is consistent with previous years. Other expenditure includes \$35 million of direct operating expenses arising on other Council activities.

Finance costs of \$2 million on total borrowing of \$102 million.

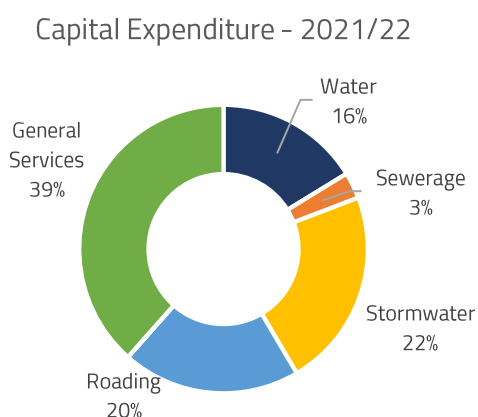
Over the past five years

- Employee expenses have remained consistent for the five years being between 23-26% of total expenditure.
- Depreciation has remained steady with minor increases from new capital and changes in valuations
- Other expenditure has been higher the last two years with increased waste management fees and external contractor costs for the delivery of services.

Capital expenditure

The Council had its largest ever capital delivery year spending of \$49.5 million on significant asset investment in the 2022 year including:

- Stead street Stop bank (Stormwater)
- Branholme pipeline (Water)
- City Centre Streetscape (General Services)
- Anderson House (General Services)
- Parking Meter renewals (Roothing)



Financial prudence benchmarks

Te Whakaaro Whakatūpato ā-pūtea

The Council has financial ratios which form a key part of its financial risk management strategy.

The Council is required under the Local Government (Financial Reporting and Prudence) Regulations 2014 to report on the affordability and benchmark ratios, in addition, we are required to comply with ratios contained in our funding agreement with the Local Government Funding Agency.

Council has met all but two of these benchmarks in 2022. The ratios are as follows:

Rates (Income) affordability – met

Rates increase affordability – met

Debt affordability benchmark – met

Balanced budget benchmark – met

Essential services benchmark – not met

Debt servicing benchmark – met

Debt control benchmark – met

Operations control benchmark – not met

These ratios and benchmarks enable the reader to determine that the Council is prudently managing its revenues, expense, assets, liabilities and general financial dealings.

[Disclosure statement - Council](#)

Annual report disclosure statement for the year ending 30 June 2022

[What is the purpose of this statement?](#)

The purpose of this statement is to disclose the Council's financial performance in relation to required benchmarks in order to assess whether the Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings.

The Council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Should you require more information, including definitions of some of the terms used in this statement, please refer to the regulations.

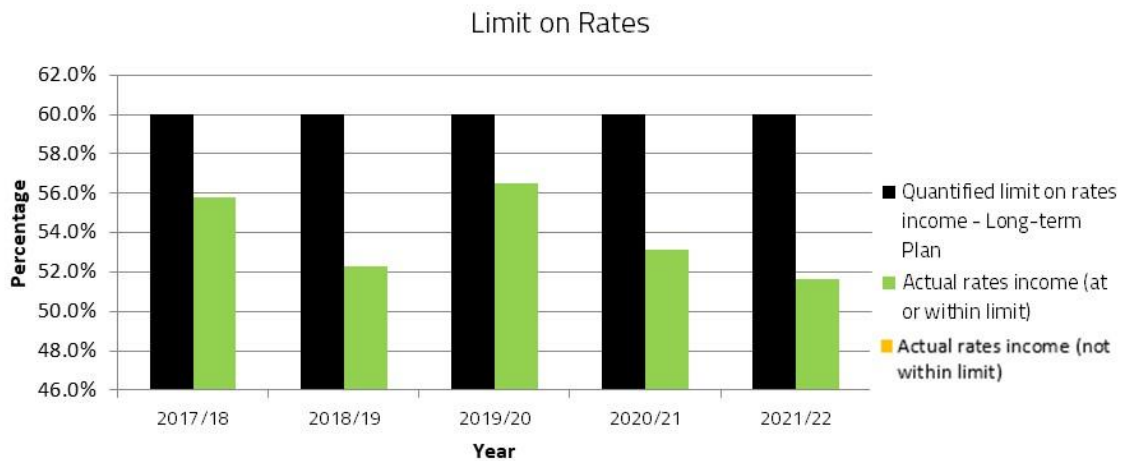
Rates (Income) Affordability Benchmark

	2017/18	2018/19	2019/20	2020/21	Year of Annual Report 2021/22
	\$'000	\$'000	\$'000	\$'000	\$'000
Total rates revenue - Annual Report	50,862	53,309	55,550	57,573	61,313
Other income - Annual Report	40,226	48,538	42,729	50,835	57,349
Total income - Annual Report	91,088	101,847	98,279	108,408	118,662

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 rates revenue will not exceed 60% of total revenue



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

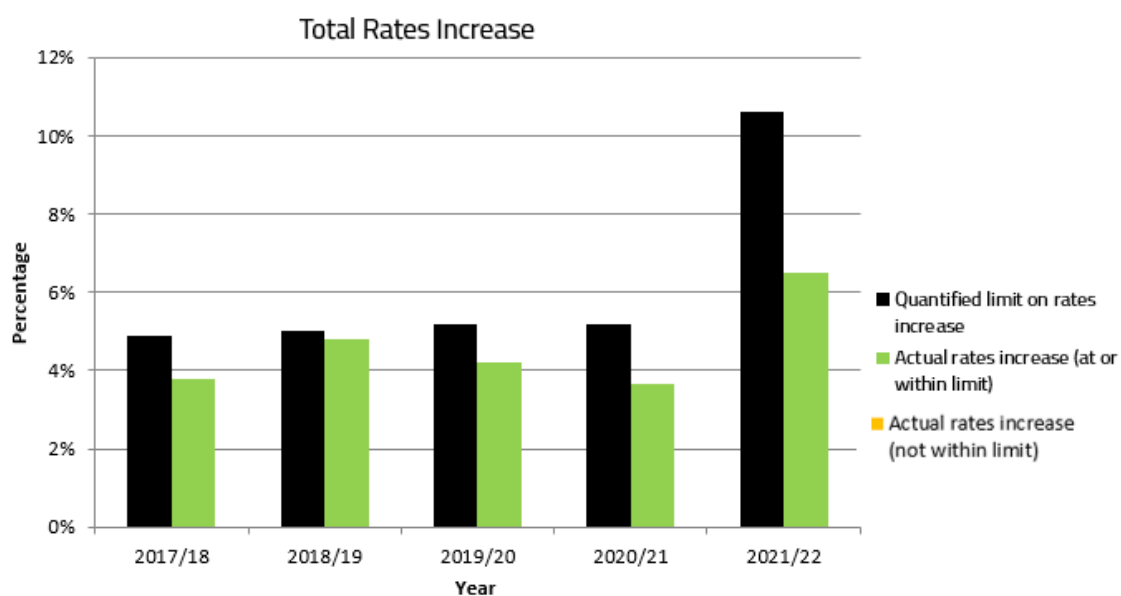
Rates (Increases) Affordability

	2017/18	2018/19	2019/20	2020/21	Year of Annual Report 2021/22
	\$'000	\$'000	\$'000	\$'000	\$'000
Total rates revenue - Annual Report	50,862	53,309	55,550	57,573	61,313
LGCI (Local Government Cost Index)	1.90%	2.00%	2.20%	2.20%	7.60%
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 "Rates increases will not exceed the Local Government Cost Index (LGCI) plus 3%



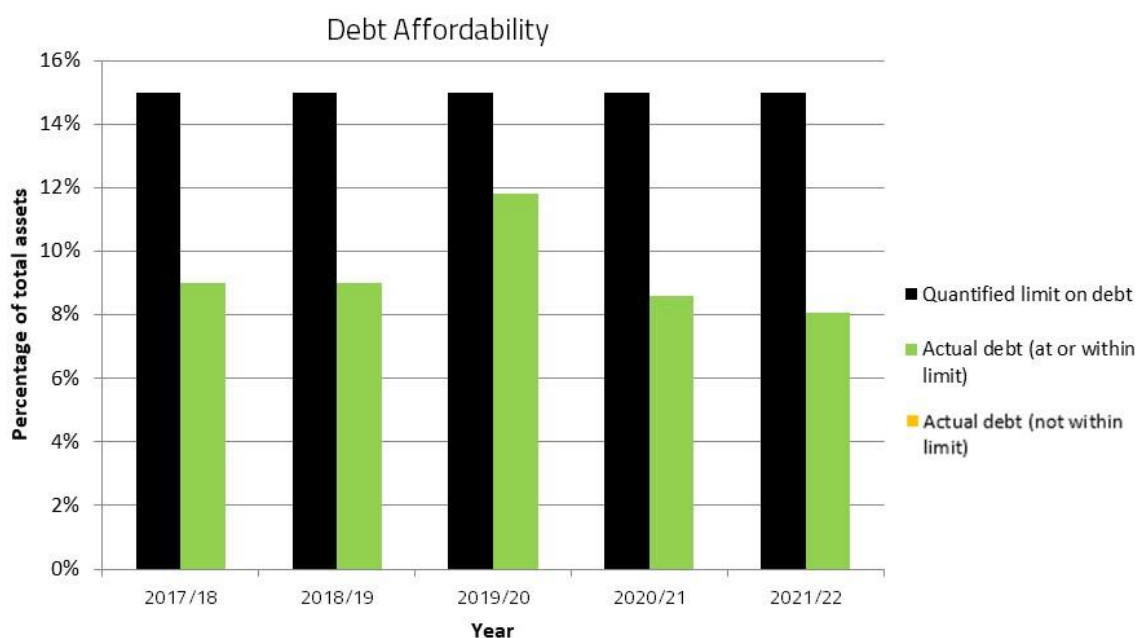
Council's financial strategy aims to limit rates increase to under 7.5%. As shown above Council has achieved this goal over the last five financial years.

Debt Affordability Benchmark

	2017/18	2018/19	2019/20	2020/21	2021/22
	\$'000	\$'000	\$'000	\$'000	\$'000
Total assets - Annual Report	930,456	1,022,965	1,062,340	1,036,308	1,267,980
External borrowing	88,136	90,205	125,514	89,222	102,062

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

The following graph compares Council's actual debt with a quantified limit on borrowing stated in the financial strategy included in the Council's Long-term Plan. The quantified limit is that "Debt will not exceed 15% of total assets".



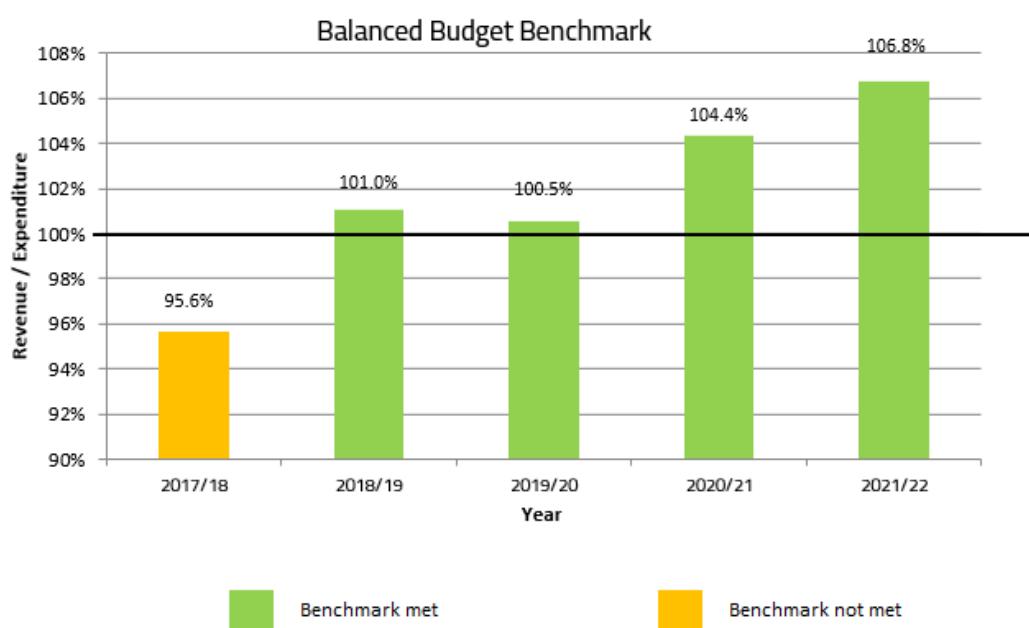
The Council has a low percentage of debt in relation to total assets, and is mindful of keeping debt to a manageable level. Council considers that setting a borrowing limit of 15% of assets will assist in prudently managing Council's borrowing activities to ensure the ongoing funding of Council.

Balanced Budget Benchmark

	2017/18	2018/19	2019/20	2020/21	2021/22
	\$'000	\$'000	\$'000	\$'000	\$'000
Total revenue (excluding *)	98,419	102,882	100,213	113,896	120,237
Total expenditure (excluding ^)	102,929	101,827	99,684	109,140	112,601

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 or 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.



* Council did not operate development contributions and financial contributions in 2021/2022. Excludes vested assets, gains on derivative financial instruments and revaluation gains.

^ Excludes - Losses on derivative financial instruments and revaluations of property, plant and equipment.

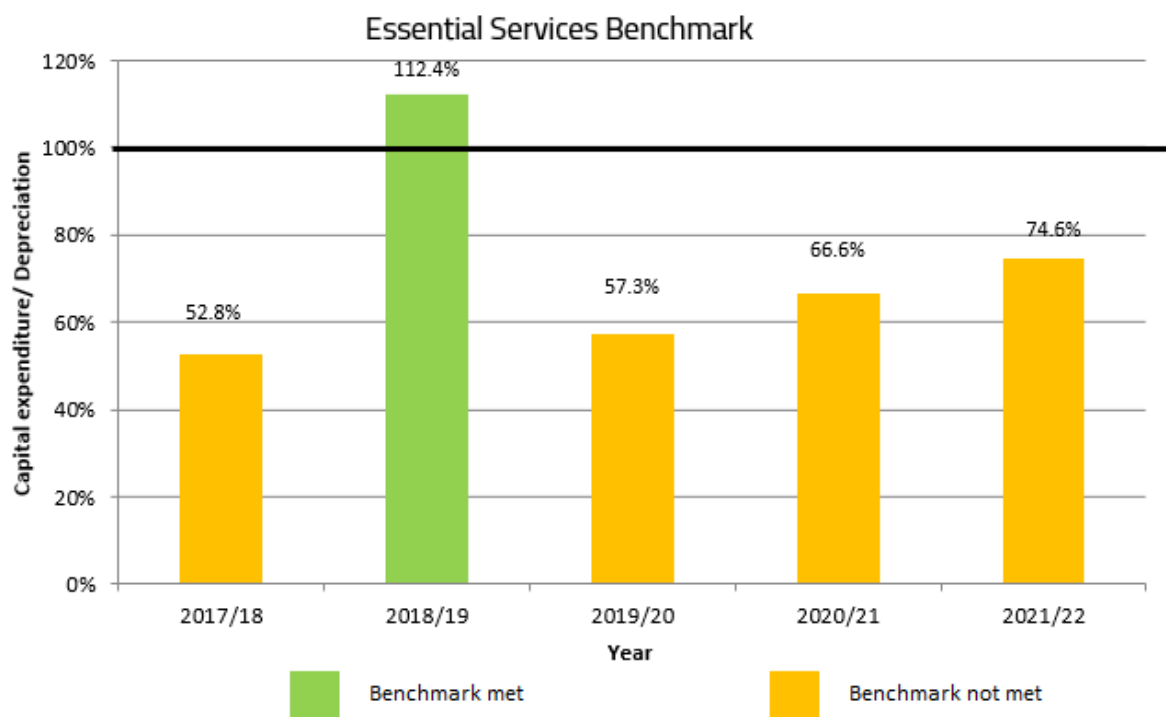
Note: Only revaluations of property, plant and equipment are excluded. Forestry revaluations and gains/losses on investments are included.

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

	2017/18	2018/19	2019/20	2020/21	2021/22
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital expenditure additions *	10,630	23,780	12,360	14,547	16,402
Depreciation ^	20,121	21,162	21,589	21,851	21,980

The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on those network services. The Council meets this benchmark if its capital expenditure on network services equals or is greater than the depreciation on those network services.



* Capital expenditure on network assets has been deemed to be additions to Infrastructural Assets as per Note 11: Property, plant and equipment.

^ Depreciation on network assets has been deemed to be depreciation of Infrastructural Assets as per Note 11: Property, plant and equipment.

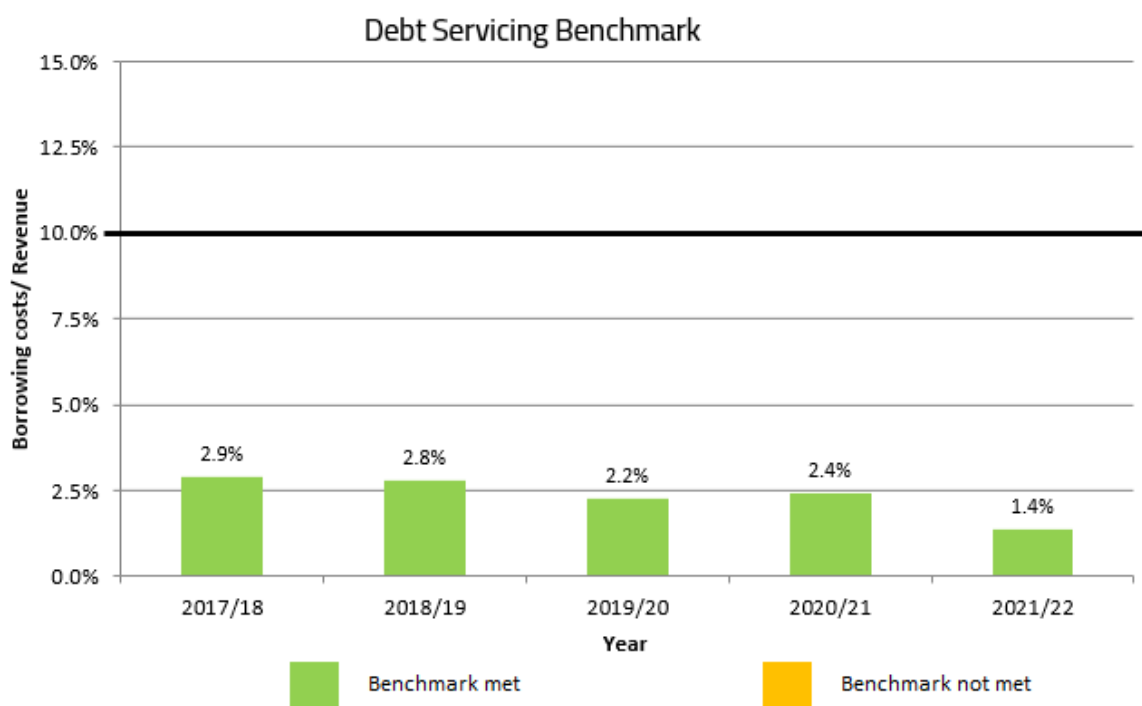
Over time Council's capital expenditure should equal its depreciation, which will mean that Council is replacing its assets as they deteriorate. However, due to some projects being large, it is hard to assess this on a year-by-year basis. During the 2017/2018 year Council spent less on capital expenditure than depreciation. This was largely due to some capital project scheduled to be completed within the 2017/2018 year being started but not completed. During 2019/2020 the Covid-19 lockdowns and procedures meant that some capital projects could not be worked on. During the 2020/2021 and 2021/2022 years Council spent less on capital expenditure than depreciation. This was largely due to some capital projects scheduled to be completed within the year being started but not completed until the following year.

Debt Servicing Benchmark

	2017/18	2018/19	2019/20	2020/21	2021/22
	\$'000	\$'000	\$'000	\$'000	\$'000
Borrowing costs *	2,869	2,845	2,263	2,767	1,627
Revenue (Balanced budget)	98,419	102,882	100,213	113,896	120,237

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 or equipment).

Because Statistics New Zealand projects that the Council's population will grow as fast as the national population is projected to grow, it meets the debt servicing benchmark if it's borrowing costs equal or are less than 10% of its revenue.



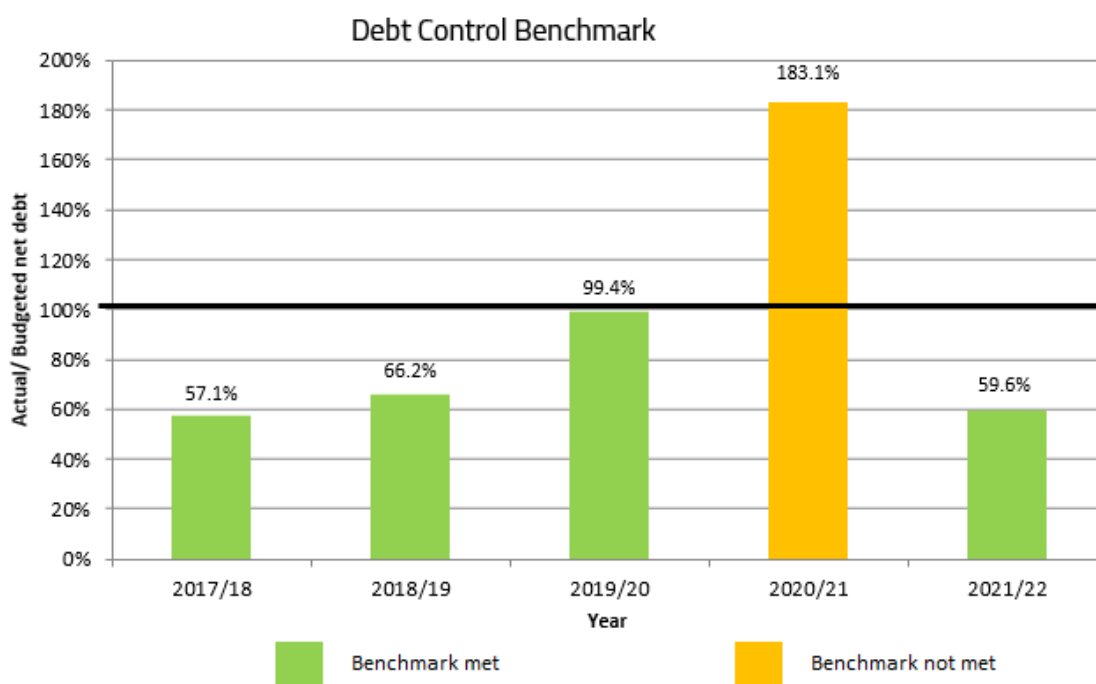
Council's cost of debt is well under the legislative threshold of 10% of revenue. Total borrowing have increased in four of the last five years as Council incurs higher capital expenditure related debt. This has been largely offset by the Council cost of borrowing remaining low as a result of low market interest rates.

Debt Control Benchmark

	2017/18	2018/19	2019/20	2020/21	2021/22
Actual	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets - Annual Report *	66,157	73,608	94,920	54,418	59,314
Financial liabilities - Annual Report ^	100,181	104,621	143,779	111,151	117,371
Actual net debt	34,024	31,013	48,859	56,733	58,057
Planned					
Financial assets *_	56,914	63,859	53,607	98,629	45,283
Financial liabilities ^	116,494	110,718	102,745	129,621	142,670
Budgeted net debt	59,580	46,859	49,138	30,992	97,387

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 net 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 debt funded capital and infrastructure projects. In 2020/2021 the benchmark was not met due to:

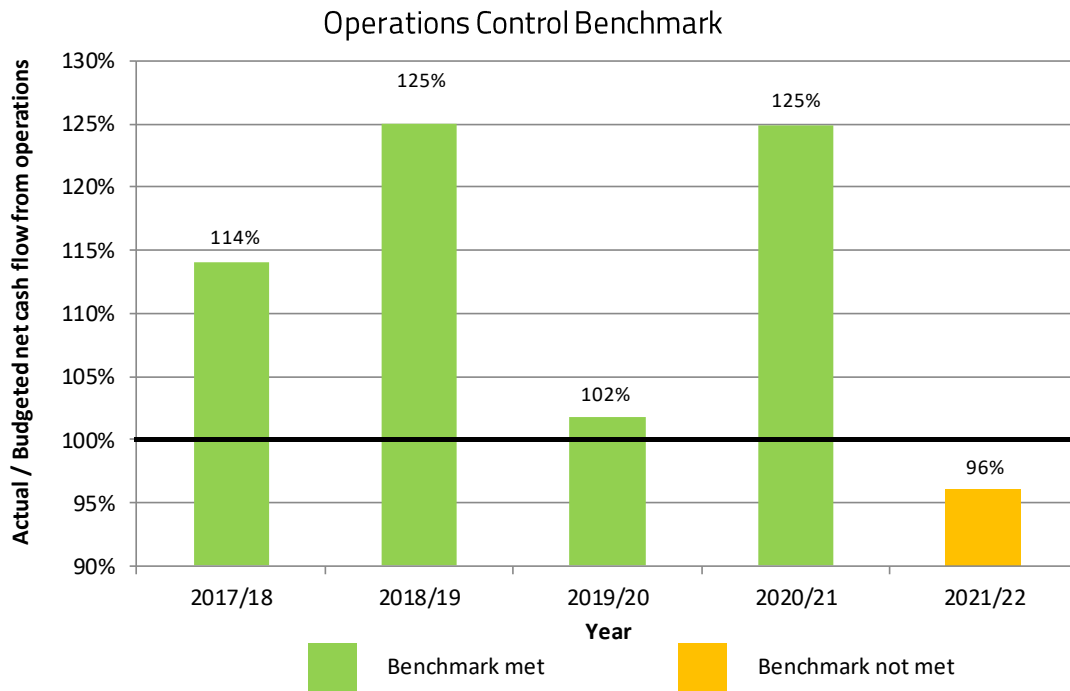
- a) higher than planned trade and other payables balance which includes subsidy funding revenue received in advance but not spent for shovel ready and 3 waters stimulus projects; and
- b) purchase of shares within Invercargill City Holdings Limited to fund the City Centre investment.

Operations Control Benchmark

	2017/18	2018/19	2019/20	2020/21	Year of Annual Report 2021/22
	\$'000	\$'000	\$'000	\$'000	\$'000
Actual net cash flows from operations	22,239	29,334	28,316	32,971	29,026
Budgeted net cash flows from operations	19,485	23,460	27,823	26,414	30,192

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.



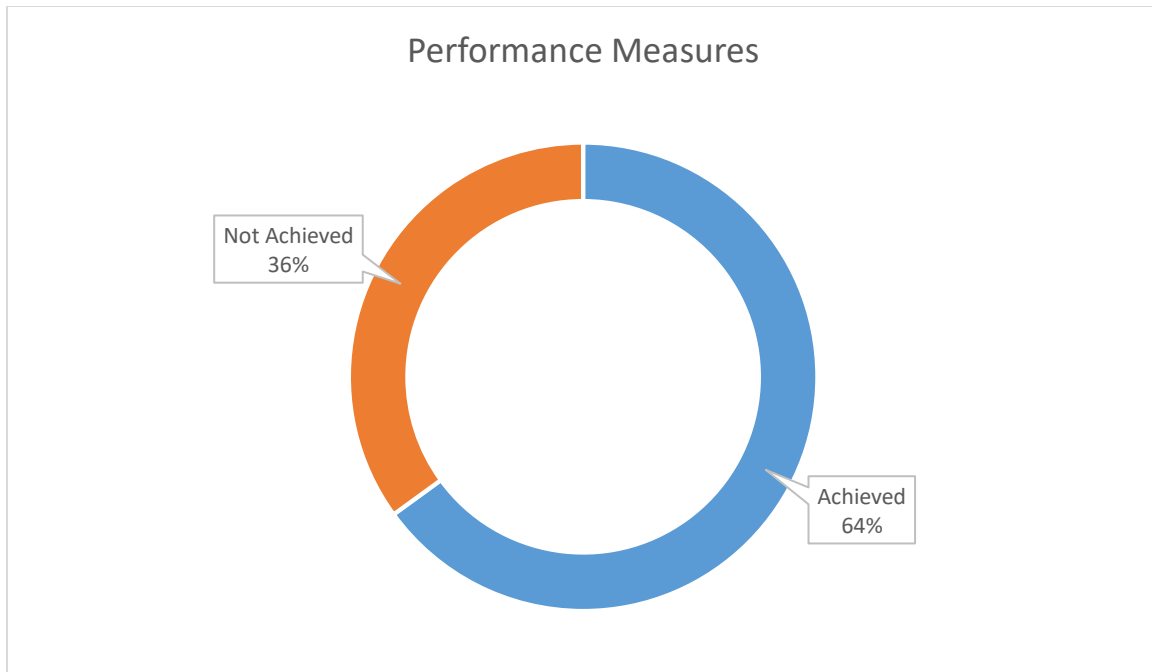
Council has met the Operations Control benchmark, with actual net cash flows from operations higher than planned cashflows in all but 2021/22. This was the result of lower revenue due to Covid restrictions and higher than planned expenditure including increased waste charges.

Summary of Service

Whakarāpopototanga o ā mātou mahi

Summary of Activities and Level of Service

The 2021–31 Long Term Plan identified 48 levels of service and 99 measures against which performance would be measured for its activities. The levels of service were what Council performance wanted to provide to its community and the measures are performance indications as to whether the levels of service have been achieved.



In the graph above, 'Achieved' means that the 2021/22 performance measure was met or exceeded. 'Not achieved' means that the 2021/22 performance measure was not provided to the target level. This compares to 68% achieved and 32% not achieved in 2020/2021.

This Annual Report details the performance measures and their achievement for the activities. Council's framework for success is the Long-term Plan, which is centred on the vision of, "our city with heart." - He Ngā kau Aroha. The performance measures positively contribute towards Council's three Community Outcomes: Enhance our City, Preserve its Character, and Embrace Innovation and Change by focusing on how services are delivered for the community.

Auditor's Opinion

Ngā korero a te kaitātari kaute

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Invercargill City Council's annual report for the year ended 30 June 2022

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'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 7 March 2023. 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 86 to 89 and pages 91 to 175:

- present fairly, in all material respects:
 - the City Council and Group's financial position as at 30 June 2022;
 - the results of the operations and cash flows for the year ended on that date; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.

Unmodified opinion on the audited information, excluding the financial statements

In our opinion:

- the funding impact statement on page 34, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's annual plan;
- the statement of service performance on pages 32 to 33 and 35 to 72:
 - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2022, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
 - complies with generally accepted accounting practice in New Zealand.
- the statement about capital expenditure for each group of activities on pages 37, 40, 43, 48, 51 and 54, 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 37, 40, 43, 48, 51 and 54, 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 14 to 22, 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.

The basis for our opinion is explained below and we draw attention to other matters. In addition, we outline the responsibilities of the Council and our responsibilities relating to the audited information, we comment on other information, and we explain our independence.

Basis for our opinion on the audited information

Financial statements: Our work was limited in relation to the comparative year carrying value of the City Council and the Group's revalued property plant and equipment and the asset revaluation movement in the current year

As stated in the statement of accounting policies on pages 91 and 111 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.

Our audit report on the 30 June 2021 financial statements was qualified because we considered that there were reliable indicators that there could be a material increase in the fair value of asset classes not revalued during the 30 June 2021 financial year. However, because the City Council did not carry out a revaluation as at 30 June 2021, it was impracticable to determine the amount of the adjustment required.

As disclosed in note 11 to the financial statements, the City Council has valued its property, plant and equipment asset classes held at fair value as at 30 June 2022 resulting in a revaluation movement of \$215.177 million recognised in the statement of comprehensive revenue and expense for the year ended 30 June 2022. We have obtained sufficient appropriate evidence over this valuation however any misstatement of the property, plant and equipment's carrying value as at 30 June 2021 would consequently affect the revaluation movement recognised in the statement of comprehensive revenue and expense for the year ended 30 June 2022.

As a result of the matter described above, we are unable to obtain sufficient audit evidence to support:

- the carrying value of property, plant, and equipment in the statement of financial position as at 30 June 2021; and
- the asset revaluation movement for the year ended 30 June 2022, that has been recognised in the other comprehensive revenue and expense section of the statement of comprehensive revenue and expense, and the statement of changes in equity.

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

Without further modifying our opinion, we draw attention to note 32 on page 175, which outlines that, in June 2022, the Government introduced legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities with effect from 1 July 2024. The legislation received royal assent from the Governor-General on 14 December 2022. The

impact of these reforms will mean that the City Council will no longer deliver three waters services or own the assets required to deliver these services. In December 2022, the Government introduced the Water Services Legislation Bill, which will transfer assets and liabilities to the water service entities.

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 and the group.
- 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.
- 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 auditor's 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 audited information of the entities or business activities within the Group to express an opinion on the consolidated audited information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

Our responsibilities arise from the Public Audit Act 2001.

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 13, 23, 30, 31, 73 to 76, 78, 85, 90 and 176 to 181, but does not include the audited information and the disclosure requirements, and our auditor's report thereon.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information, and we do not express any form of audit opinion or assurance conclusion thereon.

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. As described in the Basis for our opinion section above, we were unable to obtain sufficient appropriate evidence over the carrying value of revalued property plant and equipment for the comparative year and the asset revaluation movement for the current year. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

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 performed a limited assurance engagement related to the City Council's Debenture Trust Deed. This engagement is compatible with those independence requirements.

Other than these engagements, we have no relationship with, or interests in, the City Council or its subsidiaries and controlled entities.



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

Statement of Compliance

Tauākī o ngā tūtohu

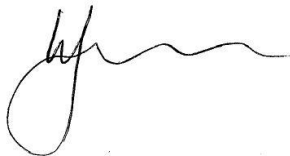
The Council and its officers are responsible for the preparation of this Annual Report for 2021/22.

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 7 March 2023.

It correctly reflects the Council's financial position and operation results for the year ended 30 June 2022.

Council adopted this Annual Report on 7 March 2023 and complies with all statutory requirements in relation to the Annual Report.



N Clark
MAYOR



M Day
ACTING CHIEF EXECUTIVE

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 six groups of activities:

- Water
- Stormwater
- Sewerage
- Roding
- Solid Waste Management
- General 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 General Services group of activities includes:

- Democratic Process
- Regulatory Services
- Parks and Recreation
- Libraries
- Aquatic Services
- Arts, Culture and Heritage
- Venue and Event Services
- Public Transport
- Public Toilets
- Housing Care
- Investment

Council activities

Statement of Service Performance 2021/22

Council successfully delivered on 63 of the 99 (64%) performance measures for the 2021-22 year, broadly in line with the 53 out of 77 (68%) measures achieved in 2020-21. These measures helped to deliver on community outcomes to enhance our city, preserve its character and embrace innovation and change. Council began the first year of the current Long-term Plan (LTP) against a backdrop of Covid's resurgence in the community. Throughout the year, core services have been delivered effectively despite initial lockdowns leading into ongoing restrictions which impacted some areas of Council. In the three waters realm, Council maintained a safe water supply throughout the year, with the only missed performance measure relating to non-urgent call-outs. The stormwater activity missed two mandatory measures, one as a result of flooding caused by heavy rains in the first quarter, the second relating to the number of complaints reported. Meanwhile, sewerage achieved all of their performance measures. This is a continuation of the delivery of these services from last year, and highlights the success of Council maintaining performance throughout the challenges of lockdowns.

While the solid waste activity was able to deliver the necessary services, they did not achieve on performance measures relating to the levels of material discarded and the trends in recycling and rubbish. Overall, the activity missed four of their five key performance indicators, which is a slight drop in performance from last year, and this will be an area to be monitored in the next year. However, there were indications of improvement during quarter four and there is a focus on education moving forward, working with schools and other areas of the community, which will require the appropriate resourcing at Wastenet.

Eight of the fourteen roading KPIs have been achieved. In a notable variation from last year, three of the missed measures relate to fatal and serious injury crashes. Through its funding of Road Safety Southland, Council will continue to work with Waka Kotahi's Road to Zero programme. General services, including Splash Palace, the library and He Waka Tuia were hindered by Covid restrictions on usage. This meant they were unable to reach the visitor number targets, and in some instances, could not operate at full capacity when they were open. These trends have begun to reverse in the fourth quarter. There were success stories alongside this, with increased attendance at the parks as Invercargill residents utilised outdoor spaces during a noticeably warmer summer. Within the general services, there were some key differences from last year's performance measures. The introduction of a wider array of performance measures for both the venues and event services, and parks and recreation, allowed for more detail in the reporting. For parks and recreation, this was notable for the achievement of 15 of their 16 measures (up from five measures last year), including an 80% satisfaction rating from the resident survey. Venues and event services had some challenges in meeting their extended list of measures. This included the fully booked Victoria and Drawing Rooms not meeting the goal of more

than 70 bookings as it was used exclusively for the vaccination clinic which only counted as one booking. While it missed the performance measures, the occupancy rates and the use of this community facility for community health reasons was significant. Rugby Park was unable to reach all of its targets, in part due to the limited opportunities to hire beyond rugby until there have been improvements made to the venue.

For the first time, He Waka Tuia has been included in the performance measures and, like other community facilities, was ultimately unable to achieve its targets around visitor numbers and satisfaction, due to Covid.

Regulatory services has mandatory measures around building, resource consent, food and alcohol applications in accordance with statutory timelines, which require a target of 100% delivery. In both building and non-notified resource consents not requiring a hearing, the 100 percent target was missed this time, after being achieved last year. There has been a large increase in the number of resource consent applications, and resourcing around this has been challenging nationwide. Despite not achieving the 100 percent target for this, performance is still comparable, if not higher, than the national averages.

Seven customer satisfaction measures have been included as part of this LTP and a new methodology has been introduced for the data gathering. The new survey company utilises self-selecting respondents to complete online surveying, which has impacted some of the measures of public opinion of council services. While parks and the library reached their satisfaction targets, the other measures did not and this can in part be attributed to a general trend of dissatisfaction with Council's nationally. These results will help provide a baseline for measuring going forward.

Council has had a challenging year, but continued to provide essential services to the community. It will be important to monitor how the lifting of restrictions impacts service delivery and maintain focus on the areas of concern.

Summary of Income and Net Costs by Group of Activities

Group of Activity	Cost	Income	Net Cost	Net Cost	Net Cost
	Actual	Actual	Actual	Plan	Actual
	2022	2022	2022	2022	2021
	\$000	\$000	\$000	\$000	\$000
Water	4,711	1,844	2,867	3,069	4,089
Sewerage	4,180	1,777	2,403	1,412	2,790
Stormwater	2,077	62	2,015	1,294	2,115
Roading	6,406	4,003	2,403	2,235	1,225
Solid Waste Management	14,573	7,966	6,607	4,788	4,213
General Services	54,335	26,578	27,757	28,082	20,289
Total cost of service delivery	86,282	42,230	44,052	40,880	34,721

Note: Actual Costs are total applications of operating funding includes internal recoveries. Actual Income is total operating funding including internal charges less rates revenue.

Summary of capital expenditure and depreciation & amortisation expenses charged to Activities

Group of Activity	Capital expenditure			Depreciation and amortisation		
	Actual	Plan	Actual	Actual	Plan	Actual
	2022	2022	2021	2022	2022	2021
	\$000	\$000	\$000	\$000	\$000	\$000
Water	8,034	8,630	3,273	4,048	4,040	4,070
Sewerage	1,461	3,943	3,082	4,145	4,158	4,057
Stormwater	11,034	17,302	2,895	3,882	3,862	3,915
Roading	9,898	7,777	9,592	9,895	9,705	9,996
Solid Waste Management	3	70	2	493	111	398
General Services	19,022	27,453	7,080	6,756	6,357	6,158
Total cost of service delivery	49,452	65,175	25,924	29,219	28,233	28,594

Major capital expenditure variance explanations are provided for each activity in their individual "Explanation of significant variances" sections.

Invercargill City Council: Funding Impact Statement
For the year ended 30 June, 2022 Whole of Council

	Annual Plan 2020/21 \$'000	Actual 2020/21 \$'000	Annual Plan 2021/22 \$'000	Actual 2021/22 \$'000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	5,640	6,588	36,084	37,324
Targeted rates	51,127	50,985	23,749	23,988
Subsidies and grants for operating purposes	4,711	7,404	5,713	5,333
Fees and charges	17,782	19,856	25,214	20,267
Interest and dividends from investments	7,202	7,889	5,166	6,196
Local authorities fuel tax, fines, infringements, fees and other receipts	7,467	11,559	2,586	8,458
Total operating funding (A)	93,929	104,281	98,512	101,566
Applications of operating funding				
Payment to staff and suppliers	68,881	78,662	77,312	82,680
Finance costs	3,140	2,767	2,247	1,627
Other operating funding applications	-	-	-	-
Total applications of operating funding (B)	72,021	81,429	79,559	84,307
Surplus (deficit) of operating funding (A - B)	21,908	22,852	18,953	17,259
Sources of capital funding				
Subsidies and grants for capital expenditure	4,506	4,988	11,239	18,199
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	(36,293)	35,165	12,841
Gross proceeds from sale of assets	194	3,509	-	11,984
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding (C)	4,700	(27,796)	46,404	43,024
Applications of capital funding				
Capital expenditure				
- to meet additional demand	1,737	-	-	-
- to improve the level of service	867	147	18,901	12,950
- to replace existing assets	36,326	25,777	46,274	36,502
Increase (decrease) in reserves	-	(19,625)	-	14,171
Increase (decrease) in investments	(12,322)	(11,243)	182	(3,340)
Total applications of capital funding (D)	26,608	(4,944)	65,357	60,283
Surplus (deficit) of capital funding (C - D)	(21,908)	(22,852)	(18,953)	(17,259)
Funding balance ((A - B) + (C - D))	-	-	-	-

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

A variance analysis of the Funding Impact Statements has not been undertaken at a whole Council level. Analysis has been undertaken at a Group of Activity level.

Water

Wai

What we have done

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

Overall, eight of the nine performance measures were met despite challenging circumstances at times.

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 Activity provides a water network with sufficient capacity to meet demand and firefighting requirements.	There is sufficient 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 Activity provides a safe, reliable supply of water.	The water supply is safe to drink. Reticulated properties receive a continuous supply of water.

How did we measure up?

Measure	Target 2021/22	Achieved	Result 2021/22	Prior years
The extent to which the Council's drinking water supply complies with part 4 of the drinking-water standards. (Bacteria compliance criteria)	100%	Achieved	100%	2020/21: Achieved 100% 2019/20: Achieved 100%
The extent to which the local authority's drinking water complies with part 5 of the drinking-water standards (protozoal compliance criteria)	100%	Achieved	100%	2020/21: Achieved 100% 2019/20: Achieved 100%
The percentage of real water loss from the Council's networked reticulation system. (Calculated according to the methodology outlined in Water NZ Water Loss Guidelines publication Feb 2010)	Less than 30%	Achieved	9.7%	2020/21: Achieved 9.6% 2019/20: Achieved 9.6%
The median response time for urgent callouts, (from the time the Council receives notification to the time that service personnel reach the site).	4 Hours	Achieved	25 minutes	2020/21: Achieved 22 minutes 2019/20: Achieved – 16 minutes
The median time to resolve urgent callouts (from the time the Council receives notification to the time that service personnel confirm resolution of the fault or interruption).	24 Hours	Achieved	1 hour and 26 minutes	2020/21: Achieved 1 hour and 28 minutes 2020/19: Achieved - 1 hour and 17 minutes

Our Activities - Water

Measure	Target 2021/22	Achieved	Result 2021/22	Prior years
Attendance for non-urgent call-outs (from the time that council receives notification to the time that service personnel reach the site)	5 working days	Not achieved ¹	5 days, 22 hours and 51 minutes	2020/21: Achieved - 4 days, 22 hours and 31 minutes 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	10 working days	Achieved	6 days, 4 hours and 14 minutes	2020/21: Achieved - 5 days, 1 hour and 8 minutes 2019/20: Achieved - 6 days, 4 hours and 26 minutes
The total number of complaints received by Council per 1,000 connections about any of the following: - Drinking water clarity - Drinking water taste - Drinking water odour - Drinking water pressure of flow - Continuity of supply - Council's response to any of these issues	<10 in total	Achieved	2.11 ²	2020/21: 0.53 Achieved 2019/20: 0.63 Achieved
The average consumption of drinking water per day per resident within the Invercargill City Council territorial district	Less than 300	Achieved	271 litres/day	2020/21: Achieved - 389 litres/day (Target less than 700 litres/day) 2019/20: Achieved - 431 litres/day ³ (Target less than 700 litres/day)

The details

1. Attendance for Non-Urgent Callouts.

Due to Covid restrictions, the contractor was unable to undertake the work in time. However, despite this response times to non-urgent calls have continued to trend downwards throughout the year.

2. The percentage of complaints received has increased in line with DIA guidelines. Previously these were coded based on the content of the call and reflected if it was deemed a notification or a complaint.

3. This measure previously included non-residential use.

Capital Works Projects

Project	2021/22 Proposed (\$000)	2021/22 Actual (\$000)
Treatment plant renewals	336	337
Pipe renewals	7,449	6,449
Exploration for underground water supply	600	756

Treatment plant renewals - planned works completed.

Pipe renewals - Contractors availability has delayed the start of the Branxholme pipeline work during the year.

Exploration for underground water supply - Initial water pumping testing has been completed during the year with further testing and investigation required.

Invercargill City Council: Funding impact statement for year ended 30 June 2022 for Water

	Long-term Plan 2018 - 2028 2020/21 \$'000	Long-term Plan 2021 - 2031 2021/22 \$'000	Actual 2021/22 \$'000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	8,255	8,611	8,624
Subsidies and grants for operating purposes	-	300	-
Fees and charges	1,788	1,595	1,827
Internal charges and overheads recovered	-	-	-
Interest and dividends from investments	-	-	14
Local authorities fuel tax, fines, infringements, fees and other receipts	-	-	3
Total operating funding (A)	10,043	10,506	10,468
Applications of operational funding			
Payment to staff and suppliers	5,010	4,627	4,466
Finance costs	1,011	334	242
Internal charges and overheads applied	-	3	3
Other operating funding applications	-	-	-
Total applications of operating funding (B)	6,021	4,964	4,711
Surplus (deficit) of operating funding (A - B)	4,022	5,542	5,757
Sources of capital funding			
Subsidies and grants for capital expenditure	-	710	4,049
Development and financial contributions	-	-	-
Increase (decrease) in debt	2,090	2,378	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	2,090	3,088	4,049
Applications of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	768	756
- to replace existing assets	6,112	7,862	7,278
Increase (decrease) in reserves	-	-	1,772
Increase (decrease) in investments	-	-	-
Total applications of capital funding (D)	6,112	8,630	9,806
Surplus (deficit) of capital funding (C - D)	(4,022)	(5,542)	(5,757)
Funding balance ((A - B) + (C - D))	-	-	-

Stormwater

Wai tupuhi

What we have done

The Stormwater Activity managed the stormwater network of pipes, open drains and pumping stations for the collections 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 Ōtātara 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.

The stormwater network performed well throughout the year, and achieved four of the five performance measures set.

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.		Number of habitable floors affected by flooding.
Embrace innovation and change	The development of future industry is encouraged.	The Stormwater Activity prevents urban areas from flooding.	Complaints received by Council about the performance of its stormwater system.
Preserves 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 2021/22	Achieved	Result 2021/22	Prior years
DIA Performance measure 1 (system adequacy) (a) The number of flooding events that occur in the Invercargill City district	0	Not achieved ¹	2	2020/21: Not Achieved – 2 2019/20: Not Achieved – 1
DIA Performance measure 1 (system adequacy) (b) For each flooding event, the number of habitable floors affected (expressed per 1,000 properties connected to the Council's stormwater system)	0	Achieved	0	2020/21: Not Achieved – 2 properties flooded as a result of heavy rain 2019/20: Not achieved – 1 property flooded as a result of consistent heavy rain

Our Activities - Stormwater

Measure	Target 2021/22	Achieved	Result 2021/22	Prior years
DIA Performance measure 2 (discharge compliance) Compliance with the Council's resource consents for discharge from its sewerage system, measured by the number of: - Abatement notices - Infringement notices - Enforcement orders - Convictions	0 0 0 0	Achieved	0 0 0 0	2020/21: Achieved – 100% compliance 2019/20: Not achieved - 1 enforcement order and 1 conviction for a sewer overflow discharging into stormwater
DIA Performance measure 3 (response times) The median response time to attend a flooding event, measured from the time that Council receives notification to the time that service personnel reach the site	<1 hour	Achieved	21 minutes	2020/21: Achieved - 96% Median response 27 minutes (Target: 1 hour, 90% success) 2019/20: Achieved - 100% Median response 23 minutes (Target: 1 hour, 90% success)
DIA Performance Measure 4 (customer satisfaction) The number of complaints received about the performance of the stormwater system (expressed per 1,000 properties connected to the Council's stormwater system)	<4	Not achieved ²	4.2	2020/21: Achieved - 2.47 2019/20: Achieved - 0.86

The details

1. Flooding events in the Invercargill City district.
In the first quarter, heavy rains to regional flooding and capacity problems in Bluff. This was due to a blocked outlet. There were no further events throughout the year.
2. The percentage of complaints received has increased in line with DIA guidelines. Previously these were coded based on the content of the call and reflected if it was deemed a notification or a complaint.

Capital Works Projects

Project	2021/22 Proposed (\$000)	2021/22 Actual (\$000)
Treatment plant	420	-
Pipe renewals	2,451	2,527
Stead street stop bank	14,220	12,104

Treatment plant - \$400,000 of costs relating to the Rain Gardens located in the city centre were included but these are included in the City Centre Masterplan Streetscape project (General services)

Pipe renewals - planned works completed

Stead street stop bank - Significant proportion of project completed during the year with full completion on target for first half of 2023. \$3.3 million, included in this total, relates to footpath capital completed by the Roading activity.

Invercargill City Council: Funding impact statement for year ended 30 June 2022 for Stormwater

	Long-term Plan 2018 - 2028 2020/21 \$'000	Long-term Plan 2021 - 2031 2021/22 \$'000	Actual 2021/22 \$'000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	-	1,289	1,372
Targeted rates	4,519	3,867	4,117
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	3	7
Internal charges and overheads recovered	-	-	-
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringements, fees and other receipts	-	6	55
Total operating funding (A)	4,519	5,165	5,551
Applications of operational funding			
Payment to staff and suppliers	1,769	1,303	2,077
Finance costs	173	-	-
Internal charges and overheads applied	-	-	-
Other operating funding applications	-	-	-
Total applications of operating funding (B)	1,942	1,303	2,077
Surplus (deficit) of operating funding (A - B)	2,577	3,862	3,474
Sources of capital funding			
Subsidies and grants for capital expenditure	-	5,320	8,942
Development and financial contributions	-	-	-
Increase (decrease) in debt	1,896	8,120	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	1,896	13,440	8,942
Applications of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	240	420	-
- to replace existing assets	4,233	16,882	11,034
Increase (decrease) in reserves	-	-	1,382
Increase (decrease) in investments	-	-	-
Total applications of capital funding (D)	4,473	17,302	12,416
Surplus (deficit) of capital funding (C - D)	(2,577)	(3,862)	(3,474)
Funding balance ((A - B) + (C - D))	-	-	-

Sewerage

Waikeri

What we have done

The Sewerage Activity provided a sewerage system to provide a sewage disposal service to each property in Invercargill, Bluff, Ōtātara and Omaui residential areas.

The Council sewerage network met all of the DIA performance measures for this year, with no areas of concern.

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.	The Sewerage Activity protects public health by the safe collection of sewage.	Low levels of interruption from the sewerage network
Preserve its character	The building blocks, including water, sanitation and roading, for a safe, friendly city are provided for all members of the community.		Receiving waters are not adversely affected by effluent discharges.

How did we measure up?

Measure	Target 2021/22	Achieved	Result 2021/22	Prior years
Number of dry weather sewerage overflows per 1,000 properties – DIA	Max 4	Achieved	1.06	2020/21: Achieved – 1.12 2019/20: Achieved – 0.59
Compliance with Council's resource consents for discharge from its sewerage		Achieved		2020/21: Achieved – 100% compliance 2019/20: Achieved – 100% compliance
(a) Number of abatement notices	0		0	
(b) Number of infringement notices	0		0	
(c) Number of enforcement orders	0		0	
(d) Number of successful prosecutions	0		0	
(e) Council target (all enforcement actions)	0		0	
DIA Performance Measure 3 (fault response times)	<1 hour	Achieved	16 minutes	2020/21: Achieved – 15 minutes 2019/20: Achieved – 18 minutes
(a) The median response time to attend emergency blockages				

Our Activities - Sewerage

Measure	Target 2021/22	Achieved	Result 2021/22	Prior years
(b) The median response time to resolve emergency blockages	<6 hours	Achieved	1 hour and 15 minutes	2020/21: Not achieved – 93% compliance, median response time 1 hour 2019/20: Not Achieved – 98% compliance, median response time 1 hour
DIA Performance Measure 4 (customer satisfaction) The number of complaints received about: 1. sewage odour 2. system faults 3. system blockages 4. Council's responsiveness (expressed per 1,000 properties connected to the Council's sewer system)	Max 4	Achieved	3.4 ¹ complaints per 1000 connections	2020/2021: Achieved - 2.47 complaints per 1,000 connections 2019/20: Achieved - 1.26 complaints per 1,000 connections

1. The percentage of complaints received has increased in line with DIA guidelines. Previously these were coded based on the content of the call and reflected if it was deemed a notification or a complaint.

Capital Works Projects

Project	2021/22 Proposed (\$000)	2021/22 Actual (\$000)
Treatment plant renewals	1,360	141
Pumping stations renewals	708	454
Pipe renewals	1,875	902

Treatment plant renewals - Delays in consultants and materials availability due to market conditions has prevents various renewal elements to be completed in 2022.

Pumping stations renewals - Delayed start to Kakapo Street pump station renewals has meant the project will run into the 2022/2023 year.

Pipe renewals - Delayed start to various planned works, including works in the city centre and Kennington which has meant the projects will continue into the 2022/2023 year.

Invercargill City Council: Funding impact statement for year ended 30 June 2022 for Sewerage

	Long-term Plan 2018 - 2028 2020/21 \$'000	Long-term Plan 2021 - 2031 2021/22 \$'000	Actual 2021/22 \$'000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	6,521	6,618	6,675
Subsidies and grants for operating purposes	-	750	638
Fees and charges	-	952	1,115
Internal charges and overheads recovered	-	-	-
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringements, fees and other receipts	705	-	24
Total operating funding (A)	7,226	8,320	8,452
Applications of operational funding			
Payment to staff and suppliers	3,278	3,011	4,116
Finance costs	434	79	40
Internal charges and overheads applied	-	24	24
Other operating funding applications	-	-	-
Total applications of operating funding (B)	3,712	3,114	4,180
Surplus (deficit) of operating funding (A - B)	3,514	5,206	4,272
Sources of capital funding			
Subsidies and grants for capital expenditure	-	570	334
Development and financial contributions	-	-	-
Increase (decrease) in debt	10,110	(1,833)	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	10,110	(1,263)	334
Applications of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	15,129	3,943	1,461
Increase (decrease) in reserves	(1,505)	-	3,145
Increase (decrease) in investments	-	-	-
Total applications of capital funding (D)	13,624	3,943	4,606
Surplus (deficit) of capital funding (C - D)	(3,514)	(5,206)	(4,272)
Funding balance ((A - B) + (C - D))	-	-	-

Roading Services

Ratonga rori

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. Eight of the fourteen measures were achieved this year.

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. Footpaths. Streetlighting. Respond to vandalised signs. Traffic signals response.
		Invercargill's business areas are bustling with people, activities and culture.	Unplanned road closures.
		Roading provides the vital connections with state highways for the freight task distributing the goods needed for a city and throughout the city. Roading provides roads to connect people, signs to direct, footpaths for pedestrians, street furniture for streetscape usage. CBD areas have high amenity.	Street lighting. Respond to vandalised signs. 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. Street lighting allows residents to feel safe at nights.	The total number of fatal and serious injuries each year on the network. Street lighting. Respond to vandalised signs. Traffic signals response.
		Wide streets and low traffic allows ease of movement, together with networks resilient and reliable for events. 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. Technology is used in both existing and	Street facilities such as visitor signs, streetscape, seating, and car charging offer high value people space and have flexibility to quickly adapt.	Footpaths.

Community Outcome	Council's Role	How the Activity Contributes	Customer Level of Service
	<p>new City services.</p> <p>Residents of, as well as visitors to, Invercargill give positive feedback and have great experiences.</p> <p>Invercargill has the 'wow factor' with the right facilities and events to enjoy.</p>	<p>Roading corridor management contributes to make events have safe road and pedestrian access to use.</p>	<p>Requests responded to in five or less business days.</p>

How did we measure up?

Measure	Target 2021/22	Achieved	Result 2021/22	Prior years
The number of and 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	Not achieved ¹	Total number of crashes 15 - 2 more than previous year (4 Fatalities, 18 Serious Injuries)	2020/21: Achieved - 13 crashes (1 fatalities, 14 serious injuries) 2019/20: Not achieved - 19 crashes (2 fatalities, 17 serious injuries)*
Collective risk (crash density) – fatal and serious injury rate per km of road	Decreasing annually	Not achieved ¹	There was an increase for this year. Final data was not available as of 20 February.	N/A – New Measure
Personal risk – average annual fatal and serious injury crashes per 100 million vehicle-kilometres	Decreasing annually	Not achieved ¹	There was an increase for this year. Final data was not available as of 20 February.	N/A – New Measure
The average quality of ride, on a sealed local road network, measured by smooth travel exposure	Higher than national average: Urban – 84.5% Rural – 95.1%	Achieved	Urban - 85% Rural - 98%	2020/21: Achieved - urban 90%; rural 98% 2019/20: Achieved - urban 89%; rural 98%
The percentage of the sealed local road network that is resurfaced	> 5.5% (2021)	Not achieved ²	3.97% (2022)	2020/21: Not Achieved - 5.3% (target >6.25%) 2019/20: Not Achieved - 6.10% (target >6.25%)
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 Asset Management Plan	< 8% in very poor condition	Achieved	0.5% in very poor condition	2020/21: Achieved - 0.7% in a very poor condition 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	75% of requests are responded to in five or less business days	Achieved	78%	2020/21: Achieved - 81% 2019/20: Not Achieved - 79%

Our Activities – Roading Services

Measure	Target 2021/22	Achieved	Result 2021/22	Prior years
The number of unplanned road closures and the number of vehicles affected by closures annually	Number of closures <=8 Affected vehicles – to be established	Achieved	6	2020/21: Not Achieved – this measure was not recorded 2019/20: Not Achieved – this measure was not recorded
Proportion of network not available to Class 1 heavy vehicles and 50MAX vehicles	Maintain / Increase proportion	Achieved ³	Maintained	N/A – New Measure
Mean travel times for private motor vehicles on key routes	Maintain stable trend	Not achieved ⁴	Not measured, data not available	N/A – New Measure
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	Achieved	80%	2020/21: Achieved - 66% 2019/20: Not Achieved - 67%
An Invercargill street lighting fault is responded to promptly	> 75% of requests within 2 business days	Not achieved ⁵	57%	N/A – New Measure
Vandalised signs are promptly responded to and corrective actions commenced	> 85% of requests within 2 business days	Achieved	95%	2020/21: Not Achieved – 84% (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%	2020/21: Achieved - 100% 2019/20: Achieved - 100%

The details

1. Fatalities and serious crash injuries

Sadly, there was an increase in both crashes and fatalities this year with four deaths and 18 serious injuries on Invercargill roads. The final data for the collective risk and personal risk measures is due in November, but the increase in fatalities and serious crash injuries means these measures were not achieved this year.

Data for the year reflects that performance is less than desired and this has been discussed with the contractor.

* Please note, this result has changed to reflect the data is now expressing the total numbers of crashes, rather than the total number of Deaths and Serious Injuries.

2. Percentage of sealed local road network that is resurfaced

The reseal programme was started late due to contractor availability, due to this the programme ran out of weather window to complete.

3. Proportion of network not available

There has been no change in the status of the road, so the routes are still available for heavy vehicles.

4. Mean travel times

This data is not available, so there has been no measure for this.

5. Street lighting fault is responded to promptly

Capital Works Projects

Project	2021/22 Proposed (\$000)	2021/22 Actual (\$000)
Resurfacing , rehabilitation and drainage renewals	4,997	4,431
Footpath renewals	653	954
Low cost, low risk capital renewals	651	635
Parking meters	455	628

Resurfacing, rehabilitation and drainage renewals -
Weather conditions delayed some planned road sealing work from being completed.

Footpath renewals - Footpath work was advanced from future years due to capacity availability

Low cost, low risk capital renewals - planned works completed

Parking meters - Parking meters were installed and operational in December 2021

Invercargill City Council: Funding impact statement for year ended 30 June 2022 for Roading Services

	Long-term Plan 2018 - 2028 2020/21 \$'000	Long-term Plan 2021 - 2031 2021/22 \$'000	Actual 2021/22 \$'000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	330	8,059	8,059
Targeted rates	7,737	-	-
Subsidies and grants for operating purposes	2,144	3,113	3,087
Fees and charges	399	1,399	704
Internal charges and overheads recovered	292	-	-
Interest and dividends from investments	-	-	86
Local authorities fuel tax, fines, infringements, fees and other receipts	1,158	354	126
Total operating funding (A)	12,060	12,925	12,062
Applications of operational funding			
Payment to staff and suppliers	6,711	7,100	6,377
Finance costs	117	-	-
Internal charges and overheads applied	292	1	29
Other operating funding applications	-	-	-
Total applications of operating funding (B)	7,120	7,101	6,406
Surplus (deficit) of operating funding (A - B)	4,940	5,824	5,656
Sources of capital funding			
Subsidies and grants for capital expenditure	3,455	3,881	4,874
Development and financial contributions	-	-	-
Increase (decrease) in debt	(321)	(1,928)	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	3,134	1,953	4,874
Applications of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	627	-	-
- to replace existing assets	7,216	7,777	9,898
Increase (decrease) in reserves	231	-	632
Increase (decrease) in investments	-	-	-
Total applications of capital funding (D)	8,074	7,777	10,530
Surplus (deficit) of capital funding (C - D)	(4,940)	(5,824)	(5,656)
Funding balance ((A - B) + (C - D))	-	-	-

Solid Waste Management

Para

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.

Covid highlighted new concerns for solid waste management as people’s habits altered, with more time spent at home and increases in online shopping. Four of the five KPIs have not been met this year, however, there has been improvements in the last two quarters. Of noticeable concern is the rate of discarded material per person, and the decreasing trend in kerbside recycling. There are plans in place for educational promotions and school programs, which are dependent on staff availability at Wastenet.

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.	Ensure regular kerbside collection services. Appropriate facility opening hours.
	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.	Encourage waste minimisation. Operation of WasteNet Southland as a shared service for the benefit of Southland.

How did we measure up?

Measure		Target 2021/22	Achieved	Result 2021/22	Prior years
Discarded materials rate per person per annum (kgs)		Maintain a regional materials discarded rate of 650kg per person per annum.	Not achieved ¹	726kg	2020/21: Not Achieved - 750kg 2019/20: Not achieved - 726kg
Monitoring the trends in key material types to landfill (i.e. cleanfill green waste, recyclables)	Trend in kerbside recycling	Increasing trend	Not achieved ²	3,126 tonnes	2020/21: Achieved - 3,300 tonnes 2019/20: Not achieved - 3,040 tonnes
	Trend in landfill rubbish	Decreasing trend	Not achieved ³	11,143 tonnes	2020/21: Achieved - 10,850 tonnes 2019/20: Not achieved - 11,483 tonnes
	Trend in solid waste to landfill	Decreasing trend	Not achieved ³	23,320 tonnes	2020/21: Not Achieved - 22,333 tonnes 2019/20: Not achieved - 21,329 tonnes

Our Activities – Solid Waste Management

Measure		Target 2021/22	Achieved	Result 2021/22	Prior years
	Trend in diverted material	Increasing trend	Achieved ⁴	9,147 tonnes	2020/21: Achieved - 10,806 tonnes 2019/20: Not achieved - 8,931 tonnes

The details

- 1. Discarded material rate**
Since Covid, rubbish has increased as people are home more and getting more items delivered, which results in more rubbish to landfill.
- 2. Trend in kerbside recycling**
While the trend for the year has been for an increase, towards the end of the year there had been a continued decrease over the last two quarters which can be linked to limited education in recent years, as well as increases in re-purposing items. Options are being investigated around a more circular economy and where to send recyclables, alongside increases to educational programmes.
- 3. Trends in landfill rubbish and solid waste to landfill**
There was an overall increase in the trends for the year, however, this has turned and has started to trend up in the second half of the year. There has been increases in the material going to landfill since the emergence of Covid. Additional work is required in education on waste minimisation along with promotions and schools programmes. This can start once staff are available within Wastenet to undertake these tasks.
- 4. Trend in diverted material**
This trend shows as achieved, reflecting the increasing trend from the Long-term Plan baseline of 8,950 tonnes.

Capital Works Projects

There was no significant capital expenditure within the Solid Waste Management activity for 2021/2022.

Invercargill City Council: Funding impact statement for year ended 30 June 2022 for Solid Waste Management

	Long-term Plan 2018 - 2028 2020/21 \$'000	Long-term Plan 2021 - 2031 2021/22 \$'000	Actual 2021/22 \$'000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	-	830	830
Targeted rates	4,711	3,996	3,901
Subsidies and grants for operating purposes	-	-	-
Fees and charges	2,549	5,412	6,160
Internal charges and overheads recovered	1,840	2,293	1,645
Interest and dividends from investments	-	-	20
Local authorities fuel tax, fines, infringements, fees and other receipts	63	-	141
Total operating funding (A)	9,163	12,531	12,697
Applications of operational funding			
Payment to staff and suppliers	7,261	10,185	12,928
Finance costs	-	28	15
Internal charges and overheads applied	1,840	2,280	1,630
Other operating funding applications	-	-	-
Total applications of operating funding (B)	9,101	12,493	14,573
Surplus (deficit) of operating funding (A - B)	62	38	(1,876)
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	32	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	-	32	-
Applications of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	104	70	3
Increase (decrease) in reserves	(42)	-	(1,879)
Increase (decrease) in investments	-	-	-
Total applications of capital funding (D)	62	70	(1,876)
Surplus (deficit) of capital funding (C - D)	(62)	(38)	1,876
Funding balance ((A - B) + (C - D))	-	-	-

General Services

Ngā ratonga

What we have done

General Services includes 11 sub-activities which are provided by Council to support community well-being. These are:

- Democratic Process
- Regulatory Services
- Parks and Recreation
- Libraries
- Aquatic Services
- Arts, Culture and Heritage
- Venue and Event Services
- Public Transport
- Public Toilets
- Housing Care
- Investment

Details on all of these individual sub-activities is available in the following pages.

There are 61 performance measures attributed to General Services, of which 38 were achieved.

Capital Works Projects

Notes	Project	Area	2021/22 Proposed (\$000)	2021/22 Actual (\$000)
1	Property file digitalisation	Regulatory Services	600	691
2	Bluff Boat Ramp renewal	Parks and Reserves	1,600	191
3	Animal Care facility renewals	Property	371	236
4	Anderson House strengthening	Property	1,100	1,217
5	Library building renewals	Property	470	9
6	Splash Palace building renewals	Property	1,074	967
7	Museum building redevelopment	Property	1,432	699
8	Demolition of Esk Street West buildings	Property	3,476	0
9	Civic building renewals	Property	250	98
10	Public Toilets renewals	Property	301	83
11	Housing Care building improvements	Housing Care	1,256	619
12	City Centre Masterplan Streetscape	City Centre	11,535	10,837

Notes

- 1 **Property file digitalisation** - Planning & tendering process completed during year with digitisation of property records commencing in 2023 at a location within the city
- 2 **Bluff Boat Ramp renewal** - the appointment of a design engineer has been slower than expected due to

availability with completion now forecasted into 2023/2024

- 3 **Animal Care facility renewals** - Minor fencing and heat pump works brought forward and completed during the year with the majority of the facility renewals deferred to 2022/2023

- 4 **Anderson House strengthening** - Project completed within overall forecast. Additional spend for 2022 is due to deferred work from 2021 being completed this year
- 5 **Library building renewals** - Lift renewal work has been deferred to 2022/2023
- 6 **Splash Palace building renewals** - Painting, flooring and installation of new access gates completed in June with facility closed in for a period. The Bulkhead installation has been delayed due to resource availability at the time and has been deferred into 2022/2023.
- 7 **Museum building redevelopment** - Building options were considered and consulted on as part of the Annual Plan 2022/2023
- 8 **Demolition of Esk Street West buildings** - Property was sold in 2022 therefore demolition did not occur
- 9 **Civic Building renewals** - Consultants were appointed during 2022 and there work is expected to continue into 2022/2023
- 10 **Public Toilets renewals** - Installation of the Waikiwi public toilets has been deferred to 2022/2023
- 11 **Housing Care building improvements** - Stage one of installing heat pumps was completed with Stage two of installing ventilation fans is underway. The renewal of existing and creation of new housing units was not completed during the year due to delays in the planning stage
- 12 **City Centre Masterplan Streetscape** - Stage one nearing completion and remains within targets.

Invercargill City Council: Funding impact statement for year ended 30 June 2022 for General Services

	Long-term Plan 2018 - 2028 2020/21 \$'000	Long-term Plan 2021 - 2031 2021/22 \$'000	Actual 2021/22 \$'000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	4,976	25,906	27,063
Targeted rates	19,695	657	671
Subsidies and grants for operating purposes	1,478	1,550	1,608
Fees and charges	13,046	15,853	10,454
Internal charges and overheads recovered	1,548	111	331
Interest and dividends from investments	8,757	5,166	6,076
Local authorities fuel tax, fines, infringements, fees and other receipts	6,997	2,226	8,109
Total operating funding (A)	56,497	51,469	54,312
Applications of operational funding			
Payment to staff and suppliers	44,345	51,086	52,716
Finance costs	4,069	1,806	1,330
Internal charges and overheads applied	1,548	96	289
Other operating funding applications	-	-	-
Total applications of operating funding (B)	49,962	52,988	54,335
Surplus (deficit) of operating funding (A - B)	6,535	(1,519)	(23)
Sources of capital funding			
Subsidies and grants for capital expenditure	-	758	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	716	28,396	12,841
Gross proceeds from sale of assets	194	-	11,983
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
	-	-	-
Total sources of capital funding (C)	910	29,154	24,824
Applications of capital funding			
Capital expenditure			
- to meet additional demand	1,737	-	-
- to improve the level of service	-	17,713	12,194
- to replace existing assets	3,532	9,740	6,828
Increase (decrease) in reserves	2,176	-	9,119
Increase (decrease) in investments	-	182	(3,340)
Total applications of capital funding (D)	7,445	27,635	24,801
Surplus (deficit) of capital funding (C - D)	(6,535)	1,519	23
Funding balance ((A - B) + (C - D))	-	-	-

Democratic Process

Mana whakahaere

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 2021/22	Achieved	Result 2021/22	Prior years
Percentage of residents' survey respondents who provide a rating of satisfied or greater with the opportunities Council provides for community involvement in decision-making.	50%	Not achieved ¹	18%	2020/21: Achieved - 52% 2019/20: Not Available
Number of activities or events supported by the Community Wellbeing Fund	25	Achieved	55	N/A – New Measure

The details

- The methodology for surveying the public has changed which has impacted this result. This result is likely to have been influenced by Council media coverage and is in line with national dissatisfaction trends for the democratic process at Councils. A major new engagement platform letstalk.icc.govt.nz has been launched supported by

regular communications about engagement opportunities. There was reduced ability to engage face to face over the time of Covid. Where possible more opportunities for pre-engagement are being made available.

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. Invercargill is celebrated for preserving its heritage character.	The community's compliance with legislation and Council policies and bylaws enables us to live closely together in a safe environment. Opportunities are provided for development across the District.	Significant heritage is protected within Invercargill.

How did we measure up?

Measure	Target 2021/22	Achieved	Result 2021/22	Prior years
We process building, resource consent, food and alcohol applications in accordance with the quality manual and statutory timeframes	100% Building consents are issued within 20 working days of receipt	Not achieved ¹	99%	2020/21: Achieved – 100% 2019/20: Not achieved – 58%
	100% Non-notified resource consents not requiring a hearing are issued within 20 working days of receipt	Not achieved ²	85%	2020/21: Achieved – 100% 2019/20: Not achieved – 94%
	100% food applications are issued within 20 working days of receipt	Achieved	100%	2020/21: Achieved – 100% 2019/20: Achieved – 100%
	100% alcohol applications not requiring a hearing are issued within 30 working days of receipt	Achieved	100%	2020/21: Achieved – 100% 2019/20: Achieved – 100%
We identify potentially earthquake-prone buildings	Potentially earthquake-prone buildings are identified in 20% of the blocks identified by the Priority Buildings Area maps*	Achieved ³	100%	2020/21: Achieved 100% 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	Achieved	2020/21: Achieved 2019/20: Achieved

The details

- 1. Building consents**
This is a regulatory measure, which was not achieved after a small number of consents went over time early in the year following recent changes in staff and processes. While this is the measure applied statutorily, staff note for the IANZ accreditation our BCA was assessed against >94% of consents processed within the 20 business days. At 99% we have demonstrated the team continue to strive to deliver the expected level of service for our Building Consents. New processes were communicated to all staff and contractors.
- 2. Non-notified resource consents**
We continue to see increasing numbers of applications (60% increase over last 3 years). Resourcing for planning functions is incredibly challenging nationwide with the private sector paying considerably higher than local government for a finite number of planners. Whilst we are unable to meet our target of 100% it is important to note that we are still performing at a comparable, if not higher level, than the national average.
- 3. Earthquake prone building**
All of the priority buildings have now been identified.

Parks and Recreation

Ngā Papa Rēhia

What we have done

The Parks and Recreation 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.

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.		Parks and Cemeteries are safe.

How did we measure up?

Measure	Target 2021/22	Achieved	Result 2021/22	Prior years	
Queens Park is accredited as a "Garden of National Significance"	Retain accreditation	Achieved	Achieved	2020/21: Achieved 2019/20: Achieved	
Percentage of customers satisfied with parks identified through annual user surveys	New measure	Achieved	80%	N/A – New Measure	
Maintain the area of actively maintained parks and recreational land at or above the national median	Area of actively maintained parkland (hectares per 1000 residents)	24.4ha	Achieved	24.4ha	N/A – New Measure
	Including Premier Parks (i.e. Queens Park, Anderson House, Otepunī Gardens)	112ha	Achieved	112ha	N/A – New Measure

Measure	Target 2021/22	Achieved	Result 2021/22	Prior years
Area of natural parkland (hectares per 1000 residents)	27.9ha	Achieved	27.9ha	N/A – New Measure
Area of Sports Parks (hectares per 1000 residents)	2.5ha	Achieved	2.5ha	N/A – New Measure
Grass fields (total)	105.6ha	Achieved	105.6ha	N/A – New Measure
Non-grass sports surfaces (total)	2.1ha	Achieved	2.1ha	N/A – New Measure
Number of Playgrounds (per 1000 children)	6.9	Achieved	7.2	N/A – New Measure
Number of street trees (approximate number per 1000 residents).	Maintain (2019/20 provision 97)	Achieved	109	N/A – New Measure
Gardens/Horticultural planted beds (m ² per 1000 residents)	4,701m ²	Achieved	4,701m ²	N/A – New Measure
Grass Mowing (hectares per 1000 residents)	8.1ha	Achieved	8.1ha	N/A – New Measure
Trails (km per 1000 residents)	New measure	Achieved	700.4m	N/A – New Measure
Percentage of health and safety complaints are investigated and mitigated where possible	100%	Achieved	100%	N/A – New Measure
Community groups are working with Council to implement pest control	1	Achieved	4	N/A – New Measure
Number of visitors identified through annual user surveys	Visitor counters are at access points to monitor users of target reserves	Increasing use Not achieved ¹	967,869	2020/21: Achieved (1.026m) 2019/20: Achieved

The details

- Number of visitors to parks and reserves.
There was a decrease in visitors this year, which had increased noticeably as a result of the lockdowns in recent years. Please note, this measure was incorrectly stated in the Long-term Plan as a new measure. It has also been corrected to note this is a total number of visitors, not a per population figure.

Libraries

Ngā Whare Pukapuka

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.
Preserve its character	New residents feel welcomed and embraced by Invercargill culture.	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.
	Invercargill is celebrated for preserving its heritage character.	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.

How did we measure up?

Measure	Target 2021/22	Achieved	Result 2021/22	Prior years
Percentage of collection published in the past 5 years (excludes heritage collections)	>60%	Achieved	60.5%	N/A New Measure
Percentage of library customers who rate the library collections as satisfactory or greater in annual residents' survey	>85%	Achieved	87%	N/A New Measure
Number of visits per year	515,000	Not achieved ¹	462,647	2020/21: Not achieved - 459,429 2019/20: Not achieved - 442,988

The details

- Library visitor numbers.
Covid restrictions have affected visitor numbers specifically while vaccination mandates were in place. The final quarter showed a return to pre-Covid numbers as programmes and events were resumed.

Aquatic Services

Ngā puna kaukau

What we have done

The Aquatic Services activity provided 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.

How did we measure up?

Measure	Target 2021/22	Achieved	Result 2021/22	Prior years
Number of visits per head of (Invercargill City) population	>6.5	Not achieved ¹	4.57 visits	2020/21: Achieved - 6.7 visits 2019/20: Achieved - 6.7 visits
User Satisfaction Survey shows 85% or more rate the overall quality as satisfactory or above	85%	Not achieved ²	74%	N/A New Measure
Time when a minimum of four 25 metre public lanes are available for swimming	95%	Not achieved ³	88%	2020/21: Achieved - 99% 2019/20: Achieved - 94%
Time pools are kept within operating guidelines of the New Zealand Pool Water Standards NZS5826:2010	100%	Achieved	100%	N/A – New Measure

The details

1. Pool visitor numbers.
Effects of August lockdown and changes to operating in levels under Covid restrictions reduced participation, while the pool was closed for five weeks over June for maintenance.
2. Pool satisfaction from resident survey.
This is a new KPI which represents pool users more widely than the one previous which was just swim school users.
3. Availability of four 25metre public lanes.
Changes in Covid operations required empty buffer lanes between users making them unavailable. This has improved as restrictions have eased and a reasonably normal operation ensued.

Arts, Culture and Heritage

Ngā Toi, te Ahurea, me ngā Taonga

What we have done

The Arts, Culture and Heritage Activity supported the access to, and preservation of, our cultural assets for our community now and into the future. This was primarily focused on Invercargill City, yet also extended in to the

Southland region, encompassing funding, governance representation, management and support of entities providing arts, culture and heritage activities and the direct delivery of services through He Waka Tuia.

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.	The Arts, Culture and Heritage Activity actively engages with communities, promoting a range of opportunities that enable people to access, learn from, and embrace the city's heritage and culture.	Number of visitors per year.
Preserve its character	Invercargill is celebrated for preserving its heritage character.		Customer satisfaction rating is satisfactory or above.

How did we measure up?

Measure	Target 2021/22	Achieved	Result 2021/22	Prior years
He Waka Tuia - Number of visits	12,000	Not achieved ¹	7875	N/A New Measure
He Waka Tuia – Customer satisfaction rating is satisfactory or above	7-8 ²	Not achieved ²	19%	N/A New Measure

The details

1. He Waka Tuia visitor numbers. Covid restrictions have reduced community engagement. However, numbers have rebounded since the lifting of these restrictions.
2. He Waka Tuia satisfaction rating from residents' survey. Satisfaction has been measured in percentage rather than out of 10. The target equals to 70-80%.

Covid restrictions limited visitor access, and following the restrictions being lifted higher level of exhibitions and customer engagements have occurred.

Venue and Event Services

Ngā wāhi ratonga

What we have done

The Venue and Event Services Activity provided quality venues, events services, and visitor experiences for the well-being and enjoyment of the community. The venues are places where people can enjoy cultural, social, sporting and recreational activities.

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.	The Venues and Event Services Activity operates and markets quality event venues, ensuring promotion of the most appropriate venues for events, attracting touring shows and events and enabling local productions and events to be undertaken.	<p>Increase public use of venue services through the attraction and support for a range of community events through to touring shows and performances.</p> <p>Number of visitors per years.</p> <p>Customer satisfaction rating is satisfactory or above.</p>

How did we measure up?

Measure		Target 2021/22	Achieved	Result 2021/22	Prior years
Increase public use of venue services through the attraction and support for a range of community events through to touring shows and performances	Auditorium	> 55 bookings	Achieved	71	2020/21 – 50 bookings 2019/20 – 40 bookings
		> 28% occupancy rate	Not achieved ¹	21%	2020/21 – 26% 2019/20 – 25%
	Victoria and Drawing Rooms	> 70 bookings	Not achieved ²	1	2020/21 – 69 bookings 2019/20 – 56 bookings
		>11% occupancy rate	Achieved	100%	2020/21 – 45% 2019/20 – 10%
	Increasing public awareness and use of the Civic Theatre complex and its range of facilities	> 10 regional events	Achieved	36	N/A New Measure

Our Activities – General Services – Venue and Event Services

Measure	Target 2021/22	Achieved	Result 2021/22	Prior years
	>6 special interest events	Achieved	17	N/A – New Measure
	>35 community events	Achieved	40	N/A – New Measure
Expanding the use and awareness of the Scottish Hall as a venue for meetings and a range of social and cultural experiences	>40 bookings	Achieved	58	2020/21 – 39 bookings 2019/20 – 38 bookings
	>18% occupancy rate	Achieved	19%	2020/21 – 17% 2019/20 – 21%
	>10 special interest events	Achieved	26	N/A – New Measure
	>30 community events	Achieved	35	N/A – New Measure
Expanding the use and awareness of the Rugby Park as a venue for meetings and a range of social, cultural and sporting experiences	>25 bookings	Not achieved ³	23	2020/21 – 13 bookings 2019/20 – 15 bookings
	>8% occupancy rate	Not achieved ³	7%	2020/21 – 4% 2019/20 – 5%
	>13 regional events	Achieved	23	N/A – New Measure
	>12 community events	Not achieved ³	3	N/A – New Measure
Number of visits per head of Invercargill City population	40%	Achieved	1.6 Vph 158% (89,970 Visits)	N/A New Measure
Percentage of Venues and Events Services customers (hirers and patrons) who rate the experience or the venue as good or very good	>80%	Not achieved ⁴	38%	N/A New Measure

The details

1. Auditorium
Covid impacted the ability to operate during the red settings.
2. Victoria and Drawing Rooms
Venue was fully occupied, however, the Vaccination Clinic was only counted as one booking.
3. Rugby Park
Limited opportunities to hire beyond core hireage to Rugby until improvements undertaken to the venue.
4. Satisfaction rating from residents' survey. Covid has created interruptions to service delivery leading to reduced experiences and caused cancellations. A customer experience improvement programme is underway for all venues.

Public Transport

Ngā waka

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 2021/22	Achieved	Result 2021/22	Prior years
Total public transport boardings	Year on Year increase	Not achieved ¹	109,471	2020/21: Not Achieved - 145,586 2019/20: Not Achieved - 148,349
Customer satisfaction rating for quality is satisfactory or above	70%	Not achieved ²	55%	N/A New Measure
Customer satisfaction with price is satisfactory or above	80%	Not achieved ²	23%	2020/21: Not Achieved - 80% (target 82%) 2019/20: Achieved - 88%
Council administers and supports the Total Mobility scheme.	Total Mobility Scheme is administered	Achieved	Achieved	2020/21: Achieved 2019/20: Achieved

The details

1. Total boardings
Patronage numbers have not returned after Covid and are lower compared to similar periods. Patrons have not returned and are using other modes of travel. Government has provided 50% fare reductions and numbers appear to have increased.

2. Satisfaction ratings from residents' survey.
There was a change in the surveying approach this year as no onboard surveys were undertaken. This has changed the rating system which may have impacted the results.

Public Toilets

Wharepaku Tūmatanui

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 2021/22	Achieved	Result 2021/22	Prior years
Public toilets are operational 95% of open hours (which is 24 hours per day)	95%	Achieved	95%	2020/21: Achieved - 95% 2019/20 - Not Achieved - 94%

Housing Care

Ngā whare

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 2021/22	Achieved	Result 2021/22	Prior years
Units are occupied 95% of the time	95%	Achieved	98%	N/A – New Measure
Requests for service are responded to and remedial action in place: - Urgent	24 hours	Not achieved ¹	80% completed within 24 hours	N/A – New Measure
Requests for service are responded to and remedial action in place: - Non- Urgent	5 days	Not achieved ²	99% completed within 5 days	N/A – New Measure

The details

- Urgent requests for service
Four of the five urgent requests were responded to within 24 hours. One did not meet the criteria over the Christmas shutdown period.
- Non-urgent requests for service
There were 507 requests for service submitted, of which 466 were responded to within one working day. A further 35 were completed within 2-5 working days, while 6 went over the target of 5 days. Those that missed the target were due to the Christmas shutdown, contractor unavailability, and Covid.

Investment

Ngā mahi haumi

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 2021/22	Achieved	Result 2021/22	Prior years
All properties, excluding those prepared, are leased	95%	Not achieved ¹	90%	N/A New Measure
Lease agreements are current at market rental levels	100%	Not achieved ¹	89%	N/A New Measure
Net rate of return	> Market interest rate (historic and current)	Achieved	5.85%	2020/21: Achieved - 6.04% 2019/20: Achieved

The details

- Number of properties leased and at current market levels.
Issues with some vacant properties which are not truly being held for Investment purposes. These are currently Service Assets and need to be transferred. Investment Report is being produced to correct the alignment of the properties included within the portfolio to ensure correct reporting is maintained going forward

Support for External Organisations

In addition to the work which Council delivers directly, Council provides support to a range of external organisations to deliver activities with an impact on community wellbeing. Those organisations are detailed below:

Note	Support for External Organisations	Contribution towards Outcomes	Actual level of financial support 2021/22 (\$000)
1	Bluff Indoor Pool Trust \$120,000 from 2022/2023	Operation of the Bluff Community Pool.	180
2	Bluff Maritime Museum Trust (Council Controlled Organisation)	Operation of the Bluff Maritime Museum.	20
3	Emergency Management Southland	Delivery of Civil Defence and Emergency Management.	392
4	Great South (Council controlled organisation)	Provision of destination marketing and economic development initiatives for the Southland region.	1,665
5	He Waka Tuia (Awhi Rito)	Operation of He Waka Tuia	-
6	Invercargill Public Art Gallery Trust	Operation and care of the collection and provision Outreach Outcomes	314
7	Southland Indoor Leisure Centre Charitable Trust	Maintenance of Stadium Southland	700
8	Southland Regional Heritage Committee	Preserving the Regional Heritage of Southland.	1,009
9	Southland Youth One Stop Shop Trust	Contribution toward building rental.	30
10	Te Ao Marama Inc.	Provision of Mana Whenua RMA & LGA Services	86
11	Southland Museum and Art Gallery Trust (Council Controlled Organisation)	Administration of the Southland Museum and Art Gallery Trust Board	20
12	Southland Warm Homes Trust	Provide subsidies on Healthy Homes initiatives for citizens	50
13	Active Southland	Support and encourage all Southlanders to lead active lives.	-
14	Saving Grace (IC2 Trust)	Community Hub	-

Notes

1 Bluff Indoor Pool Trust

Funding was utilised to enable the Bluff pool to operate.

2 Bluff Maritime Museum Trust

Page 80 provides further information on the Bluff Maritime Museum Trust.

3 Emergency Management Southland

Completed work on an Independent Annual Survey and Analysis, website development and support, addition of an AF8 project fixed term role and allocation of funding to build back up reserves to enable delivery of services in a future emergency. All Southlanders benefit from the work of Emergency Southland.

4 Great South

Page 82 provides further information.

5 He Waka Tuia

Funding was allocated through activity budget.

6 Invercargill Public Art Gallery

Funding was utilised on salaries, administration and digitisation. \$248,427 of the \$314,000 allocated was expended within the financial year and the rest will be utilised for projects in future years. Fourteen exhibitions and public programmes were operated through He Waka Tuia. 7,875 people visited He Waka Tuia through the financial year. The ability to undertake outreach activities was limited by Covid-19.

7 Southland Indoor Leisure Centre Trust

\$418,498.54 was utilised to fund maintenance of Stadium Southland. The remainder of the \$700,000 allocated was utilised for supporting the operation of the Stadium which had a difficult financial year as a result of Covid restrictions. Some maintenance which was planned to the velodrome had to be delayed as a result of specialist contractors being unable to enter the country. 20,000 people utilised the Stadium over the year.

8 Southland Regional Heritage Committee

The funding allocated was higher than estimated in the LTP as a result of an increase in the rating base and the impact of inflation. The Committee has allocated grants in 2021/2022 of \$1,547,932, including \$1,221,691 towards the Southland Museum and Art Gallery collection cataloguing, \$193,361 for cataloguing the Gore District Council collection, \$159,000 grants for Project Arc cataloguing Riverton based materials and \$132,880 discretionary grants to support Te Hikoi, Bluff Maritime Museum, Rakiura Museum, Heritage South Heritage Month and other community related heritage projects.

9 Southland One Stop Shop Trust

The funding was utilised to pay for the rent of their premises (noting inflation adjustment). 917 young people were supported with 3457 clinical appointments and 168 young people received 2079 mentoring and advocacy sessions.

10 Te Ao Marama Inc.

Te Ao Marama have supported a range of mahi within the Invercargill District, including input to the city centre, Bluff cycleway, Stead St and other projects, consents analysis, support for stormwater, emerging contaminants and biodiversity work and support for mana whenua representatives.

11 Southland Museum and Art Gallery Trust

This funding was not allocated in the Long-term Plan. It was utilised for the administration of the Trust.

12 Southland Warm Homes Trust

Note the Trust will apply to the Community Wellbeing Fund for future funding requests.

13 Active Southland

Active Southland coordinates the Spaces and Places Strategy for the region. The work in the first year has focused on bringing together the strategic group and developing data and insights to support future investment. Expenditure was slightly lower than estimated as a result of recruitment commencing later than anticipated (\$161,708 compared to \$191,613).

14 Saving Grace (IC2 Trust)

\$0 – \$100,000 is allocated to the Trust for the Saving Grace project once it commences. It has not yet commenced so this funding allocation has been moved forward.

Fund	Amount available 2021/2022 \$	Amount Allocated 2021/2022 \$
Community Wellbeing Fund	500	439
Heritage Building Strategy Fund	303	90
Facilities Maintenance Fund	100	-

The Community Wellbeing Fund

The Committee supported 50 projects in 2021/2022, allocating \$378,500, with the remainder of funding previously allocated to multi-year projects. All projects supported liveability outcomes (social and cultural wellbeing), two thirds promoted economic wellbeing outcomes, 61% supported city centre vibrancy and 54% environmental outcome.

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.

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 prepared 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 – trading as Great South

Invercargill City Holdings Ltd
www.ichl.co.nz

[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 2021/2022.

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.

ICHL managed the investment in Invercargill Central Limited as requested by Council to achieve the strategic outcomes desired.

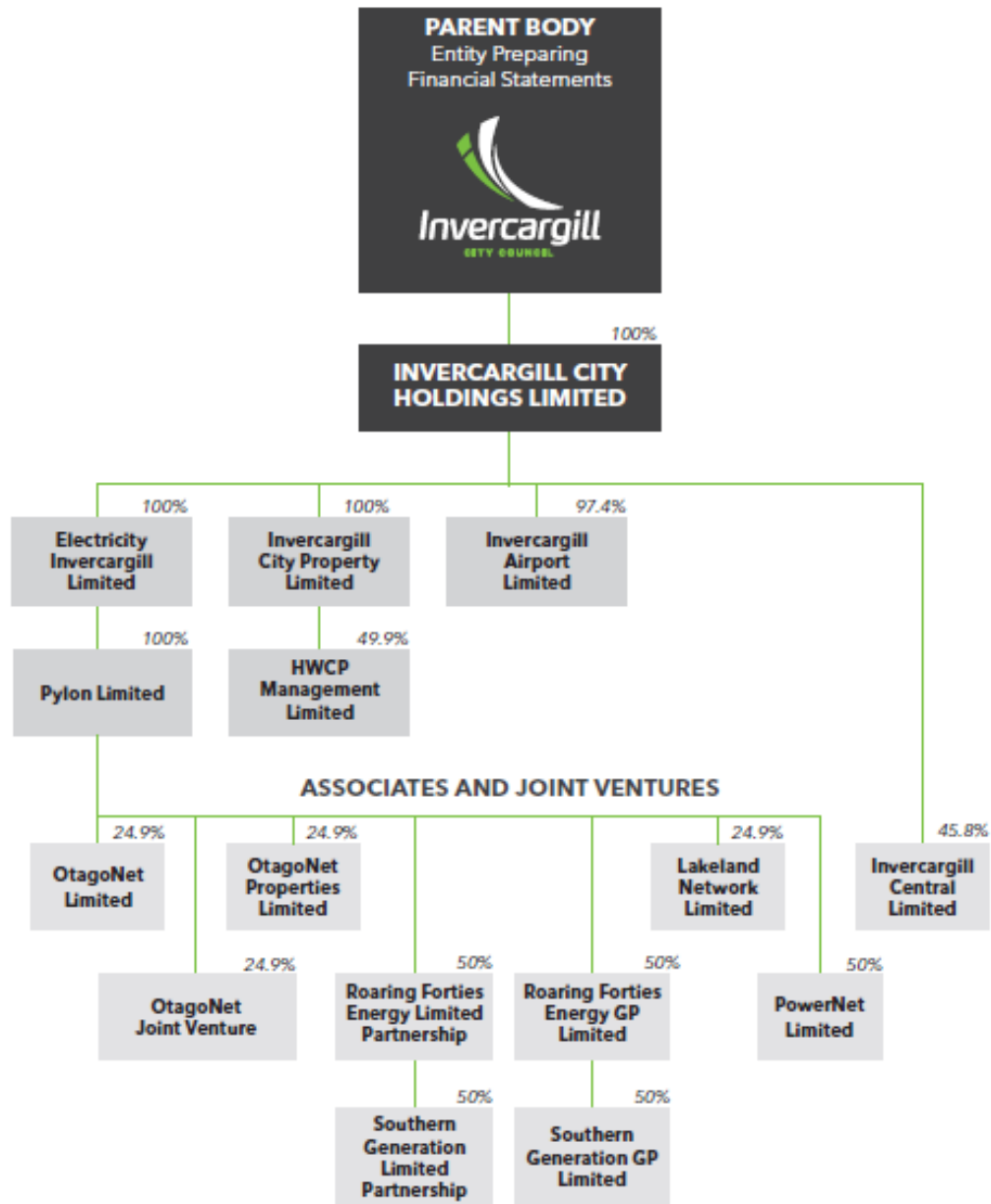
The dividend received from ICHL each year offsets the amount Council needs to raise through rates.

Invercargill City Holdings Limited's Annual Report for the 2021/2022 year will be available on its website.

Financial Performance Targets – Rate of return on equity funds	2021/2022 Target	2021/2022 Result
Invercargill City Holdings Limited - % After Tax*	7.71%*	-27.57% (2020/21: 2.65%)

* The 2021/22 Target was set in the 2021 – 2031 Long Term Plan.

Group Structure



Invercargill City Forests Limited was disestablished in August 2021.

Southland Museum & Art Gallery Trust

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 2022/2023 year. The Southland Museum and Art Gallery Trust's Annual Report for the 2021/2022 year is available on the Invercargill City Council's website.

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 2021/2022.

Measure of Service	2021/2022 Target	2021/2022 Result
To recognise the museum as a place where our maritime heritage is valued and promoted.	To recognise the museum as a place where our maritime heritage is valued and promoted.	Achieved (2020/2021: Visitor numbers and sales have increased post Covid-19

Invercargill City Charitable Trust

The Trust comprises a Board of five Trustees who oversee the governance of the Trust. The Trustee positions are held by the Mayor, Deputy Mayor and Council Chief Executive and 2 Councillors of the Invercargill City Council. Day-to-day operations of the Trust and reporting to the Board is administered by staff provided by Invercargill City Council.

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 operation of Rugby Park Stadium was contracted to Invercargill City Council.

Community Outcome	Intermediate Outcomes	2021/2022 Target	2021/22 Result
Embrace Innovation and Change	Invercargill has the 'wow factor' with the right facilities and events to enjoy.	Clear strategy with regard to sale/ transfer of Rugby Park	This remains a key strategic focus with resolution anticipated within the 2022/23 year.
Enhance our City	Invercargill's business areas are bustling with people, activities and culture	Apply for funding for new events	Not achieved

Southland Regional Development Agency Limited Trading as Great South



www.greatsouth.nz

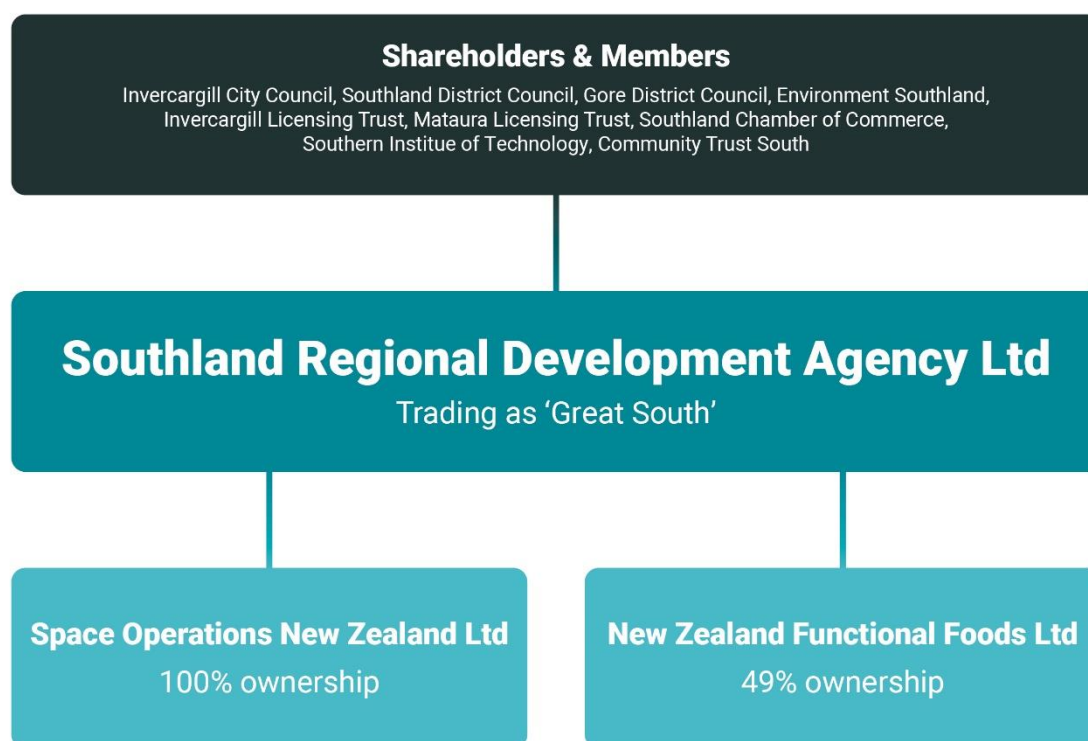
Great South was established as Southland’s Regional Development Agency in March 2019.

Committed to driving economic, social, and cultural growth, Great South has a clear mandate to leverage opportunities for Southland in the areas of economic development, business development services, tourism and events.

With strong backing from local authorities and representatives from the private and public sectors, including its nine shareholders and members the Invercargill City Council, Southland District Council, Gore District Council, Environment Southland, ILT, MLT, Southland Chamber of Commerce, Southern Institute of Technology and Community Trust South, Great South is committed to encouraging the future growth of the Southland region.

To stimulate this growth, and address challenges within the regional development space, Great South incorporates the Southland Regional Tourism Organisation, central government’s Regional Business Partner (RBP) Network and coordinates a number of government-funded contracts that play a pivotal role in helping to grow the Southland population – the major goal identified in the 2015 Southland Regional Development Strategy.

Together, with the range of innovative initiatives delivered, Great South provides a unified voice for the region, establishes a strong platform for regional success and is taking strides towards the region’s economic recovery and its vision of even better lives through sustainable development.



Level of service	Performance Measure 2021/22	Result
Regional economic development – grow the population and diversify the economy	Support the development of one new industry in Invercargill	Great South assisted DataGrid with site selection for its planned \$700m project at Makarewa. Assessments have been undertaken to facilitate the establishment of a

Level of service	Performance Measure 2021/22	Result
	Increase revenue for ground station services	hydrogen production plant in Southland. Revenue increased by 115%
Regional business development – grow innovative businesses and build a skilled workforce, which supports the Invercargill City Council community outcome to embrace innovation and change	165 business Engagements (not unique)	493 business engagements undertaken. These include 329 engagements with businesses Southland wide.
	Host four workshops on relevant topics	Great South hosted 5 workshops.
	Connect 6 businesses with Callaghan R& D funding	8 businesses received funding. Callaghan Innovation suspended Project Grants and Getting Started Grants across NZ due to lack of budget.
	Connect 12 businesses with Business Mentors NZ	Connected 15 Southland businesses with Business Mentors NZ.
	Issue 130 co-funded vouchers for capability management and training	147 capability management vouchers were issued to Southland businesses.
Regional tourism development – diversify the economy, which supports the Invercargill City Council community outcome to enhance our city	Process five projects identified in the Southland Murihiku Destination Strategy	Bluff – Bluff Motupōhue Tourism Master Plan completed. Great South funded a contract role to guide its implementation. Funded and coordinated creation of interpretation panels for the Invercargill to Bluff cycleway Te Ara Taurapa. Food tourism – along with Eat NZ, developed a food tourism strategy for Southland, launched in December and presented at workshops in Invercargill and Bluff. Supported Feast Matariki at Te Rau Aroha Marae. Cycling – trail analysis and itinerary development completed undertaken in conjunction with Southland Mountain Bike Club. Now available on southlandnz.com . Low Emission Tourism – a pilot programme for tourism operators has been developed by Great South (begins July 2022).
	45 media results featuring the region	340 media results recorded in 77 different publications.

Level of service	Performance Measure 2021/22	Result
<p>Regional events – diversify the economy, which supports the Invercargill City community outcome to enhance our city</p>	<p>Support 15 events, both existing and new, which drive overnight visitation in the region</p>	<p>Great South continues to work with representatives of 36 key Southland destination events, as identified in the Southland Murihiku Events Strategy, particularly on out-of-region marketing. 11 of these are in Invercargill or Bluff, including the Bluff Oyster and Seafood Festival and the Burt Munro Challenge. These events are featured in a digital seasonal events calendar: Southland Events Southland, New Zealand (southlandnz.com)</p> <p>Significant focus has been put on attracting business events to Invercargill and will be enhanced in the future work of the Business Events team.</p> <p>Great South continues to lead, organise and innovate ILT Kidzone, a nationally-recognised community event, in the city each year.</p>

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 comprehensive revenue and expense / Tauākī o te Whiwhinga Matawhānui me te Utu
- Statement of changes in equity / Tauākī o ngā Rerekētanga o te Tika
- Statement of financial position / Tauākī o te Tūranga Pūtea
- Statement of Cash flows/ Tauākī rere Moni
- Notes to the financial statements / He Panui ki nga Tauākī Pūtea

All figures are GST exclusive unless otherwise stated.

Statement of comprehensive revenue and expense
 Tauākī o ngā Moni Whiwhi me ngā Whakapaunga Whānui
 For the year ended 30 June 2022

Note	Council	Council	Council	Group	Group
	Actual 2022 (\$000)	Budget 2022 (\$000)	Actual 2021 (\$000)	Actual 2022 (\$000)	Restated Actual 2021 (\$000)
Revenue					
Rates revenue	2.1	61,313	59,833	57,573	61,313
Fines		503	606	538	503
Subsidies and grants	2.4	23,532	16,952	12,392	23,532
Direct charges revenue		24,481	23,347	27,226	46,851
Rental revenue		3,009	3,847	2,794	5,067
Finance revenue	5	687	182	1,507	1,135
Dividend income		4,886	4,984	4,886	-
Subvention payments received		251	-	1,492	-
Total revenue (excluding gains)		118,662	109,751	108,408	138,401
Expenditure					
Employee expenses	3	27,875	27,237	24,884	29,127
Depreciation and amortisation	4	29,219	28,233	28,594	36,386
General expenses	6	53,880	50,075	52,884	67,971
Finance expenses	5	1,627	2,247	2,767	4,331
Total expenditure		112,601	107,792	109,129	137,815
Other gains/(losses)	2.2	528	1,589	5,110	1,067
Operating surplus (deficit) before tax		6,589	3,548	4,389	1,653
Share of associates' and joint ventures' surplus (deficit)	17,18	-	-	-	4,993
Surplus (deficit) before tax		6,589	3,548	4,389	6,646
Income tax expense	7.1	-	-	-	(1,517)
Surplus (deficit) after tax		6,589	3,548	4,389	5,129
Attributable to:					
Invercargill City Council		6,589	3,548	4,389	5,115
Minority interest		-	-	-	14
		6,589	3,548	4,389	5,129
Other comprehensive revenue and expense					
Property, plant and equipment revaluation gains/(losses)		215,177	85,053	-	215,044
Carbon credit revaluation gains/(losses)	2.2	1,047	-	367	1,047
Cash flow hedges		2,385	-	1,589	5,958
Total other comprehensive revenue and expense		218,609	85,053	1,956	222,049
Total comprehensive revenue and expense		225,198	88,601	6,345	227,178
Total comprehensive revenue and expense attributable to:					
Equity holders of the Council		225,198	88,601	6,345	227,164
Minority interest		-	-	-	14
		225,198	88,601	6,345	227,178

The accompanying notes form part of and are to be read in conjunction with these financial statements.

* The prior period comparative numbers have been restated as set out in Note 1.1.

Statement of changes in equity
 Tauākī o ngā panoni tūnga pūtea
 For the year ended 30 June 2022

Note	Council Actual 2022 (\$000)	Council Budget 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Restated* 2021 (\$000)
Balance at 1 July	920,776	914,967	914,431	1,033,965	1,019,630
Total comprehensive revenue and expense for the year	225,198	88,601	6,345	227,178	14,335
Balance at 30 June	1,145,974	1,003,568	920,776	1,261,143	1,033,965
Attributable to:					
Invercargill City Council	1,145,974	1,003,568	920,776	1,259,345	1,032,181
Minority interest	-	-	-	1,798	1,784
Balance at 30 June	1,145,974	1,003,568	920,776	1,261,143	1,033,965

The accompanying notes form part of and are to be read in conjunction with these financial statements.

* The prior period comparative numbers have been restated as set out in Note 1.1.

Statement of financial position

Tauākī o te Tūnga Pūtea

As at 30 June 2022

Note	Council	Council	Council	Group	Group	
	Actual 2022 (\$000)	Budget 2022 (\$000)	Actual 2021 (\$000)	Actual 2022 (\$000)	Restated* 2021 (\$000)	
Assets						
Current assets						
Cash and cash equivalents	8	18,596	6,505	16,673	24,352	25,896
Receivables	9	13,341	11,328	11,376	15,785	14,519
Prepayments		1,279	461	1,063	1,279	1,063
Tax receivables	7.2	-	-	-	1	5
Inventories		480	825	733	486	738
Non-current assets held for resale	15	-	-	9,980	-	9,980
Other financial assets	18.1	24,960	29,083	35,533	24,960	36,476
Total current assets		58,656	48,202	75,358	66,863	88,677
Non-current assets						
Work in progress	11.2,12.1,16	36,111	-	8,692	39,356	11,539
Property, plant and equipment	11.1	1,047,098	966,449	838,913	1,183,097	973,872
Intangible assets	12	3,179	2,020	2,429	3,179	2,429
Biological assets	13	3,848	3,838	4,022	3,848	4,022
Investment property	16	26,761	44,430	28,113	32,266	33,283
Investment in associates and joint ventures	17	-	-	-	144,380	137,236
Advances to associates and joint ventures		-	-	-	13,428	13,639
Investment in subsidiaries	18.1	76,569	76,569	76,569	-	-
Other financial assets	18.1	15,277	9,695	2,212	17,100	2,330
Other financial assets - Derivative financial	19.1	481	-	-	1,124	-
Deferred tax assets	7.3	-	-	-	323	1,314
Total non-current assets		1,209,324	1,103,001	960,950	1,438,101	1,179,664
Total assets		1,267,980	1,151,203	1,036,308	1,504,965	1,268,341
Liabilities						
Current liabilities						
Trade and other payables	10	15,309	13,937	20,025	19,465	24,162
Provisions	20	112	112	112	112	112
Employee benefit liabilities	21	3,682	2,877	2,601	3,809	2,725
Borrowings	19.2	33,362	50,096	10,522	56,108	95,676
Tax payable	7.2	-	-	-	2,001	1,310
Derivative financial instruments	19.1	-	-	-	61	123
Total current liabilities		52,465	67,022	33,260	81,556	124,108
Non-current liabilities						
Provisions	20	816	816	816	816	816
Employee benefit liabilities	21	25	1,160	852	25	852
Borrowings	19.2	68,700	75,144	78,700	136,900	78,700
Deferred tax liabilities	7.3	-	-	-	24,525	23,739
Derivative financial instruments	19.1	-	3,493	1,904	-	6,161
Total non-current liabilities		69,541	80,613	82,272	162,266	110,268
Total liabilities		122,006	147,635	115,532	243,822	234,376
Equity						
Retained earnings	22	398,173	386,248	376,475	476,764	456,501
Other reserves	22	747,801	617,320	544,301	784,379	577,464
Total equity		1,145,974	1,003,568	920,776	1,261,143	1,033,965
Total liabilities and equity		1,267,980	1,151,203	1,036,308	1,504,965	1,268,341
Total equity attributable to the Council		1,145,974	1,003,568	920,776	1,259,345	1,032,181
Total equity attributable to the minority interests		-	-	-	1,798	1,784
Total equity		1,145,974	1,003,568	920,776	1,261,143	1,033,965

The accompanying notes form part of and are to be read in conjunction with these financial statements.

* The prior period comparative numbers have been restated as set out in Note 1.1.

Statement of Cash flows

Tauākī o ngā rerenga moni

For the year ended 30 June 2022

		Council Actual 2022 (\$000)	Council Budget 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Actual 2021 (\$000)
	Note					
Cash flows from operating activities						
Receipts from rates revenue		61,313	59,833	57,572	61,313	57,572
Receipts from other revenue		47,129	44,752	46,771	71,593	73,000
Interest received		687	182	1,507	935	1,956
Dividends received		4,886	4,984	4,886	-	-
Subvention payments received		251	-	1,492	-	-
Payments to suppliers and employees		(80,399)	(77,312)	(73,643)	(95,559)	(89,621)
Interest paid		(1,627)	(2,247)	(2,767)	(3,983)	(6,240)
Income tax (paid) refund		-	-	-	(689)	(5,404)
Goods and services tax (net)		(3,214)	-	(2,847)	(3,179)	(2,738)
Net cash flows from operating activities	24.1	29,026	30,192	32,971	30,431	28,525
Cash flows from investing activities						
Proceeds from sale of property, plant and equipment		3,719	-	1,803	3,720	13,106
Proceeds from sale of biological assets		-	-	-	-	31,041
Proceeds from sale of investment property		700	-	1,837	700	1,837
Proceeds from sale of investments		26,809	-	22,000	26,809	22,050
Proceeds from sale of intangibles		-	-	-	-	3,195
Proceeds from assets held for resale		9,980	-	-	9,980	-
Purchase of property, plant and equipment		(50,551)	(61,021)	(24,359)	(58,380)	(29,604)
Purchase of investments		(16,661)	(182)	(6,817)	(18,366)	(6,836)
Purchase of investment property		(491)	(3,734)	(228)	(491)	(228)
Purchase of intangible assets		(808)	(420)	(746)	(808)	(746)
Advances made to associates and joint ventures		(12,640)	-	-	(12,224)	(196)
Acquisition of subsidiary, net of cash		-	-	-	6,326	-
Investments in associates and joint ventures		-	-	-	(8,575)	557
Net cash flows from investing activities		(39,943)	(65,357)	(6,510)	(51,309)	34,176
Cash flows from financing activities						
Proceeds from borrowings		22,840	35,165	-	112,940	31,500
Repayment of borrowings		(10,000)	-	(36,293)	(94,550)	(98,694)
Proceeds from equity (share issue)		-	-	-	-	-
Dividends paid		-	-	-	-	-
Sale of Investments		-	-	-	944	-
Net cash flows from financing activities	24.2	12,840	35,165	(36,293)	19,334	(67,194)
Net increase (decrease) in cash, cash equivalents and bank overdrafts						
		1,923	-	(9,832)	(1,544)	(4,493)
Cash, cash equivalents and bank overdrafts at the beginning of the year		16,673	6,505	26,505	25,896	30,389
Cash, cash equivalents and bank overdrafts at the end of the year	8	18,596	6,505	16,673	24,352	25,896

The accompanying notes form part of and are to be read in conjunction with these financial statements.

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1 Statement of Accounting Policies

Tauākī o ngā kaupapa here kaute

Reporting entity

The Council is the Invercargill City Council and consolidated subsidiaries are together the Group.

The Council is a territorial authority governed by the Local Government Act 2002. The consolidated entity 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 venture, 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 (48.73% 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 78 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 78 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 78 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 for social benefit rather than to make a financial return. Accordingly, the Council has designated itself a public benefit entity (PBE) for financial reporting purposes. Council is therefore subject to policies and exemptions that may not apply to other entities in the Group. Where PBE treatment of specific issues differs from the usual treatment, this fact is noted in each policy.

The financial statements of the Council are for the year ended 30 June 2022. The financial statements were approved by the Council on 7 March 2023.

Basis of preparation - Measurement base

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

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. The accrual basis of accounting has been used unless otherwise stated. All amounts are "Actual" results with the exception of "Plan" amounts.

The financial accounts of the Invercargill Community Recreation & Sports Trust, a subsidiary of Council, have been prepared on a disestablishment basis. A resolution was passed in August 2021 that the Active Fund would be transferred, in its entirety, to Active Southland. The Creative Fund will be transferred to, and administered by Invercargill City Council. The Trust will be wound up by 30 June 2022.

Except where specified, the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling on the day of the transaction.

Foreign currency monetary assets and liabilities at balance date are translated to NZ dollars at the rate ruling at that date. Foreign exchange differences arising on translation are recognised in the surplus or deficit, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to NZ dollars at rates ruling at the dates the fair value was determined.

Translation differences on equities held at fair value through surplus or deficit are reported as part of the fair value gain or loss. Translation differences on equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

Goods and Services Tax (GST)

The financial statements are prepared exclusive of GST with the exception of receivables and payables that are shown inclusive of GST. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense.

The net GST paid to, or received from the Inland Revenue Department, 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 shown exclusive of GST.

Cost allocations

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.

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.

Plan values disclosed

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.

Net Assets / Equity

Net Assets or equity is the community's and ratepayers' interest in the Council. It is measured as the difference between total assets and total liabilities. The asset revaluation reserve is recorded at fair value through other comprehensive revenue and expense reserve. The hedging revaluation reserve is recorded at fair value through other comprehensive revenue and expense reserve.

New accounting standards and interpretations

PBE IPSAS 2 Statement of Cash Flows (amendment)

An amendment to PBE IPSAS 2 Statement of cash flows requires Council to provide disclosures that enable users of financial statement to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This new information required by this amendment has been disclosed in Note 24.2.

Accounting standards and interpretations issued but not yet effective

The following new standards, interpretations and amendments have been issued but are not yet effective as at 30 June 2022. Council has not early adopted these standards and interpretations.

PBE FRS 48 Service Performance Reporting

This standard establishes requirements to PBEs to select and present service performance information. This standard is effective from the year ending 30 June 2023. This standard will require the Council to provide users of the non-financial performance measures contained in the service performance tables of the annual report, an understanding of the rationale of why the measure was chosen, how it is measured, whether the measure is an aggregate of multiple values and how the information is presented.

The Council uses internally sourced data and information collected by third parties to report on the non-financial performance measures developed through its Long Term Plan and associated activity planning, which set out the services (sub-activities) and levels of service (performance measures and targets) anticipated for each year of the Long Term Plan.

The development, monitoring and reporting of non-financial performance measure is consistent with that of previous years.

The individual Group of Activities sections of this Annual Report contains the final report on the actual performance against the non-financial performance measure agreed in the current Long Term Plan for the year under review.

PBE IPSAS 41 Financial instruments (transitioning from PBE IFRS 9)

PBE IPSAS 41 replaces PBE IFRS 9 Financial Instrument and is effective from the year ending 30 June 2023. This will not have any material impact on the Council's reporting requirements as the requirements are similar to those contained in PBE IFRS 9.

Principles of consolidation

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 PBE 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 acquisition

Any excess of the cost of the PBE 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.

1.1 Restatement of Advances to Associates

The Group Advances to Associates and Joint Ventures 2021 balance has been restated. ICHL Group has a loan to HWCP Management Limited, the treatment of the loan was reconsidered during the year. The loan was historically treated as a financial asset at amortised cost. However, on reassessment it was determined that the loan should be measured at fair value through profit and loss as there are characteristics of the loan agreement that are additional to a business model which is solely to collect payments of principal and interest.

The following tables summarise the impact of correcting the accounting treatment on the financial statements in the prior period (2021). There has been no impact on cashflows.

		GROUP PREVIOUS AMOUNT 2021 \$000	ADJUSTMENT 2021 \$000	GROUP RESTATED AMOUNT 2021 \$000
	NOTE			
Statement of Financial Position (extract)				
Advances to associates and joint ventures		10,301	3,338	13,639
Retained earnings	22	453,163	3,338	456,501
Statement of Comprehensive Revenue and Expenses (extract)				
Other gains/(losses)	2.2	6,080	3,338	9,418
Operating surplus (deficit) before tax		834	3,338	4,172
Surplus (deficit) before tax		4,875	3,338	8,213
Surplus (deficit) after tax		2,013	3,338	5,351
Total comprehensive revenue and expense		10,997	3,338	14,335

2 Revenue

Accounting Policy / Kaupapahere Kaute

Revenue comprises rates, revenue from operating activities, investment revenue, gains and finance revenue and is measured at the fair value of consideration received or receivable. Revenue may be derived from either exchange or non-exchange transactions.

Revenue from exchange transactions arises where the Group provides goods or services to another entity and directly receives approximately equal value (primarily in the form of cash) in exchange.

Revenue from non-exchange transactions arises from transactions that are not exchange transactions. These are transactions where the Group receives value from another party without giving approximately equal value directly in exchange for the value received.

Approximately equal value is considered to reflect a fair or market value, which is normally akin with an arm's length commercial transaction between a willing buyer and willing seller. Some services which the Council provides for a fee are charged below market value as they are subsidised by rates. Other services operate on a cost recovery or breakeven basis which may not be considered to reflect a market return. A significant portion of the Council's revenue will be categorised non-exchange.

As the Group satisfies an obligation which has been recognised as a liability, it reduces the carrying amount of the liability and recognises an amount of revenue equal to the reduction.

Sale of goods and services- Revenue is recognised in surplus or deficit when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods or continuing management involvement with the goods.

Rental revenue- Rental revenue from investment and other property is recognised in surplus or deficit on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental revenue. Rental revenue is classified as exchange revenue where it is considered to reflect a market/arm's length rental.

Dividend revenue- Dividend revenue is classified as exchange revenue and is recognised when the shareholder's right to receive payment is established.

Finance lease revenue- Finance lease revenue is classified as exchange revenue and is allocated over the lease term on a systematic basis. This revenue allocation is based on a pattern reflecting a constant periodic return on the Council's net investment in the finance lease.

Agencies- The Council collects monies for many organisations. Where collections are processed through Council's books, any monies held are shown as accounts payable in the statement of financial position. Amounts collected on behalf of third parties are not recognised as revenue, but commissions earned from acting as agent are recognised in revenue.

Waka Kotahi (NZ Transport Agency) roading subsidies The Council receives funding assistance from Waka Kotahi, which subsidises part of the costs of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Grant revenue (including Waka Kotahi (NZ Transport Agency)) Grants revenue is recognised on receipt, except to the extent that a liability is also recognised in respect of the same inflow. A liability is recognised when the resources received are subject to a condition such as an obligation to return those resources received in the event that the conditions attached are breached. As the conditions are satisfied, the carrying amount of the liability is reduced and an equal amount is recognised as revenue. Grant revenue is categorised as non-exchange revenue

2.1 Rates revenue

Accounting Policy / Kaupapahere Kaute

Rates- Rates are set annually by a resolution from the Council and revenue is recognised in surplus or deficit at the time of invoicing.

The following policies for rates have been applied:

General rates, targeted rates (excluding water-by-meter), are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivable and subsequent recognition of interest revenue.

Rates penalties arising from late payment penalties are recognised as revenue when rates become overdue.

Revenue from water-by-meter rates is recognised on an accrual basis based on usage. Unbilled usage, as a result of unread meters at year-end, is accrued on an average usage basis.

Rates remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its Rates Remission Policy.

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)
General rates	36,852	6,130
Rates penalties	513	546
	37,365	6,676
Targeted rates attributable to activities		
Water	8,624	8,151
Sewerage and drainage	6,675	10,382
Refuse and recycling	3,901	4,579
Other activities	4,788	27,873
Total revenue from rates	61,353	57,661

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

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)
Halls, museums and other similar groups	2	3
Organisations whose object is the health and well-being of the community	26	44
Organisations whose principal object is the promotion of the arts or recreation	9	31
Organisations using premises for branches of the arts	2	8
Organisations using premises for historic conservation purposes	1	2
Total remissions	40	88
Rates revenue net of remissions	61,313	57,573

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.

The increase in annual rates collected by Council reflects the 5.00% rise as part of the 2021–2031 Long-term Plan and growth in rating units.

The annual rates revenue of the Council for the year ended 30 June 2022 for the purposes of the LGFA Guarantee and Indemnity Deed disclosure is the "Rates revenue net of remissions" shown above.

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 shown above.

The total amount of rates charged on Council owned properties that have not been eliminated from revenue and expenditure is \$2.10 million (2021: \$1.295 million). For the Group, rates of \$2.14 million (2021:\$1.394 million) have not been eliminated.

2.1(a) Rating base information

Rating units within the district or region of the local authority at the end of the preceding financial year. The following disclosures are made in accordance with the Local Government Act 2002, Clause 30A of Schedule 10.

	Council Actual 2022	Council Actual 2021
	(\$000)	(\$000)
Number of rating units within the Invercargill City Council	26,847	25,410
Total rateable land value within the Invercargill City Council	4,481,681	3,027,477
Total rateable capital value within the Invercargill City Council	12,686,939	9,073,403

The rating database as at 30 June 2021 is used to determine the rates revenue for the 2021/22 year. This information is verified with Quotable Value Limited.

2.2 Other gains and losses

Accounting Policy / Kaupapahere Kaute

Realised gains and losses in surplus / deficit - Realised gains and losses arising from the sale of property, plant and equipment and investments and changes arising from the ineffectiveness of derivative financial instruments are recognised in surplus / deficit. Movements in impairments are also recognised through surplus / deficit.

Unrealised gains and losses in other comprehensive revenue and expense - Unrealised gains and losses arising from the revaluation of investments and changes arising from mark to market valuation of derivative financial instruments are recognised in other comprehensive revenue and expense.

Other losses - include revaluation decrements relating to investment properties, losses on the sale of property, plant and equipment and investments and losses arising from derivative financial instruments.

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Restated* 2021 (\$000)
<i>Recognised in Retained Earnings</i>				
Change in fair value and harvesting of biological assets (refer Note 13)	(38)	555	(38)	555
Change in fair value of investment property (refer Note 16)	(630)	3,412	(295)	4,382
Change in fair value of investments	12	12	12	12
Changes in advances to associates and joint ventures	-	-	204	3,338
Net gain/(loss) on sale of property, plant and equipment	1,184	1,131	1,184	1,131
	528	5,110	1,067	9,418
<i>Recognised in Other comprehensive revenue and expense</i>				
Change in fair value of carbon credits	1,047	367	1,047	367
Total other gains and losses	1,575	5,477	2,114	9,785

* The prior period comparative numbers have been restated as set out in Note 1.1.

2.3 Reconciliations of Funding Impact Statements to Statement of Comprehensive Revenue & Expense

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

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)
General rates, uniform annual general charges, rates penalties	37,324	6,588
Targeted rates	23,988	50,985
Total rates revenue as per Funding Impact Statement	61,313	57,573
Rates excluding targeted water supply rates	52,689	49,422
Rates - Targeted water supply rates	8,624	8,151
Total rates revenue as per Statement of Comprehensive Revenue and Expense	61,313	57,573

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)
Total operating funding as per Funding Impact Statement	101,566	104,281
Plus: Capital funding - Subsidies and grants for capital expenditure		
- Roading activity	4,874	4,168
- Stormwater activity	8,942	820
- Water activity	4,049	-
- Sewerage activity	334	-
Less: Share of joint ventures' revenue	(1,104)	(861)
Plus: Non cash revaluations		
- Investment property revaluation gain/(loss)	(630)	3,412
- Biological assets revaluation gain/(loss)	(38)	555
- Investments revaluation gain/(loss)	12	12
- Carbon credits revaluation gain/(loss)	1,047	367
- De-recognition of property, plant and equipment gain/(loss)	1,184	1,131
Total revenue funding as per Statement of Comprehensive Revenue and Expense	120,236	113,885

Notes to the Financial Statements

Rates excluding targeted water supply rates	52,688	49,422
Targeted rates for water supply	8,624	8,151
Subsidies and grants	23,532	12,392
Other revenue	33,130	36,936
Change in fair value and harvesting of biological assets	(38)	555
Change in fair value of investment property	(630)	3,412
Change in fair value of investments	12	12
Change in fair value of carbon credits	1,047	367
Gain/(Loss) on sale of assets	1,184	1,131
Finance revenue	687	1,507
Total revenue	120,236	113,885

Operating expenditure reconciliation from Funding Impact Statement to Statement of Comprehensive Revenue and Expense

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)
Total applications of operating funding as per Funding Impact Statement	84,307	81,429
Less: Share of joint ventures' expenses	(925)	(894)
	83,382	80,535
Per Statement of Comprehensive Revenue and Expense		
Employee benefit expenses	27,875	24,884
Other expenses	53,880	52,884
Finance expenses	1,627	2,767
	83,382	80,535
Plus: depreciation expense (not in Funding Impact Statement)	29,219	28,594
Total operating expenditure including finance costs as per Statement of Comprehensive Revenue and Expense	112,601	109,129

2.4 Subsidies and grants

Accounting Policy / Kaupapahere Kaute

Waka Kotahi (NZ Transport Agency) roading subsidies - The Council receives funding assistance from Waka Kotahi, which subsidises part of the costs of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Grant revenue (including Waka Kotahi (NZ Transport Agency) - Grants revenue is recognised on receipt, except to the extent that a liability is also recognised in respect of the same inflow. A liability is recognised when the resources received are subject to a condition such as an obligation to return those resources received in the event that the conditions attached are breached. As the conditions are satisfied, the carrying amount of the liability is reduced and an equal amount is recognised as revenue. Grant revenue is categorised as non-exchange revenue.

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Actual 2021 (\$000)
Waka Kotahi (NZ Transport Agency)				
- Operating	4,320	5,241	4,320	5,241
- Capital	4,874	4,168	4,874	4,168
Other grants and subsidies				
- Operating	1,013	2,162	1,013	2,228
- Capital	13,325	821	13,325	821
Total subsidies and grants	23,532	12,392	23,532	12,458

Commentary / Whakaaro

Subsidies and grants are a mix of capital and operating grants from the Crown and other organisations. The Council received Crown funding from Waka Kotahi, Three Waters and Shovel Ready.

Waka Kotahi funding of \$9.2 million (2021: 9.4 million) which funded road and footpath operating activities and capital projects.

Three Waters Stimulus funding of \$5.0 million (2021 0.2 million) was recognised. The funding was spent on the following projects:

- Alternative Water Supply Investigation,
- Branxholme pipe line,
- Earthquake Strengthening Filtrated water channel Branxholme Water Treatment Plant,
- Earthquake Strengthening Infilco Accelerator- Branxholme Water Treatment Plant,
- Branxholme Water Treatment Plant, - Redesign and install new transfer pump manifold,
- Water Pipe Network - hydraulic model,
- Online Fluoride Meter, Sewer Asset monitoring -CCTV & cleaning,
- Flow meters at all sewer pump stations,
- Additional pressure and flow instruments on the Water systems,
- Branxholme trunk main: replace dall tubes with mag flow meters,
- Preston Street trunk main Duplicate - crossing under Waihopai River,
- Sewer full hydraulic model, Kennington Sewerage rising main replacement – design.

Shovel Ready funding of \$8.9 million (\$0.8 million), from Kānoa which funded 70% of the Stead Street Stop Bank project.

3 Employee expenses

Accounting Policy / Kaupapahere Kaute

Salaries and wages Salaries and wages are recognised as an expense as employees provide services. Superannuation schemes. Defined contribution schemes Employer contributions to KiwiSaver, the Government Superannuation Fund, and the State Sector Retirement Savings Scheme²⁸ are accounted for as defined contribution superannuation schemes and are expensed in the surplus or deficit as incurred.

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Actual 2021 (\$000)
Wages and salaries	27,223	25,023	28,442	26,201
Contributions to defined contribution plans	635	563	668	563
Increase/(Decrease) in employee benefits	17	(702)	17	(702)
Total employee expenses	27,875	24,884	29,127	26,062

Commentary / Whakaaro

Council made three (2021: None) severance payments during the year ended 30 June 2022 totalling \$45,000 (\$15,000, \$10,000, \$20,000) (2021: Nil).

4 Depreciation and amortisation expense by group of activity

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)
Roading	9,895	9,996
Sewerage	4,145	4,057
Solid waste management	493	398
Stormwater	3,882	3,915
Water supply	4,048	4,070
General Services	6,756	6,158
Total depreciation and amortisation expense by group of activity	29,219	28,594

5 Net Finance costs

Accounting Policy / Kaupapahere Kaute

Finance expense - Borrowing costs are recognised as an expense in the period in which they occurred using the effective interest method.

Finance revenue - Finance revenue comprises interest receivable on funds invested and on loans advanced. Finance revenue, is recognised in surplus or deficit as it accrues, using the effective interest rate method.

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Actual 2021 (\$000)
Finance expenses				
- Borrowings	1,622	2,444	4,326	3,372
- Other	5	323	5	1,990
Total Financial expenses	1,627	2,767	4,331	5,362
Finance revenue				
- Cash and cash equivalents	(100)	(40)	(116)	(47)
- Other Financial Assets	(468)	(690)	(900)	(704)
- Related Party Investments	(119)	(777)	(119)	(356)
Total Financial revenue	(687)	(1,507)	(1,135)	(1,107)
Net Finance Cost	940	1,259	3,196	4,255

Commentary / Whakaaro

Council has entered into interest rate swap agreements to fix the cost of current and future borrowing. Market interest rates have begun to increase in 2021/22, however with the majority of the Councils debt set on fixed rates the financing costs have been relatively stable.

6 General expenses

Accounting Policy / Kaupapahere Kaute

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 approved by the Council and the approval has been communicated to the applicant and any grant criteria are met. Rates remissions are treated as a discretionary grants to the recipient of the remission in accordance with the Council's rates remission policy.

Operating leases- payments made under operating leases are recognised in surplus or deficit proportionally over the term of the lease. Lease incentives received are recognised in surplus or deficit as an integral part of the total lease expense.

Minimum lease payments- payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Unrecoverable rates- Where in the opinion of the Chief Executive rates cannot reasonably be recovered under sections 90A and 90B of the local Government Rating Act 2002, they are recorded as bad debts and written off. The Council has the ability to recover rates on the sale of a property and until this occurs rates arrears are treated as doubtful debts and provision is made for the amount of rates outstanding.

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Actual 2021 (\$000)
Audit fees (Note 6.1)	204	421	452	686
Bad and doubtful debts	(198)	417	(298)	368
Directors' fees	-	-	492	452
Operating lease expenses	344	290	344	290
Donations and Grants expenses	4,616	5,028	5,710	5,028
Direct operating expenses (including repairs and maintenance) arising on investment properties	1,523	1,188	1,523	1,188
Direct operating expenses (including repairs and maintenance) arising on other Council activities	35,649	33,588	35,649	33,588
Biological assets cost of goods sold	136	151	136	151
Other expenses	11,606	11,801	23,963	23,982
Total General Expenses	53,880	52,884	67,971	65,733

6.1 Remuneration of auditors

Accounting Policy / Kaupapahere Kaute

All auditors are appointed by the Auditor-General pursuant to the Public Audit Act. The auditor of the Council and the Group entities, is Audit New Zealand unless specifically identified.

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Actual 2021 (\$000)
Auditor's remuneration to Audit New Zealand comprises:				
- Audit of financial statements	157	141	266	266
- Cost recovery from audit of last year's financial statements	40	55	59	55
- Other audit-related services	7	142	7	142
Auditor's remuneration to other auditors comprises:				
- Audit of financial statements	-	-	49	59
- Other audit-related services	-	83	71	164
Total auditor remuneration	204	421	452	686

Commentary / Whakaaro

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

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

7 Income taxes

Accounting Policy / Kaupapahere Kaute

Income tax on the surplus or deficit for the year includes current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes at the reporting date.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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 PBE 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 interest in joint ventures, except where the company can control the reversal of the temporary difference and it is probably that the temporary difference will not reverse in the foreseeable future.

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.

7.1 Components of tax expense

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Restated Actual 2021 (\$000)
Current tax expense				
Current tax	-	-	1,251	8,316
Adjustment to current tax for prior years	-	-	(121)	(2,354)
Total current tax expense	-	-	1,130	5,962
Deferred tax expense				
Origination and reversal of temporary differences	-	-	391	(3,057)
Adjustment for prior periods	-	-	(4)	(43)
Total deferred tax expense	-	-	387	(3,100)
Total income tax expense	-	-	1,517	2,862
Reconciliation of effective tax rate				
Surplus for the period excluding income tax	6,589	4,389	6,646	8,213
Tax at 28%	1,845	1,229	1,861	2,300
Permanent differences	-	-	1,963	1,324
Non-deductible expenses	-	-	365	737
Tax exempt revenue	(1,845)	(1,229)	(2,123)	(1,229)
Subvention payments (made) received	251	-	-	-
Change in recognised temporary differences	-	-	(31)	-
Under/(Over) provided in prior periods	(251)	-	(518)	(270)
Total income tax expense	-	-	1,517	2,862

7.2 Current tax assets and liabilities

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Actual 2021 (\$000)
Current tax assets				
Current tax/Tax refund receivable	-	-	1	5
Total current tax assets	-	-	1	5
Current tax payable				
Income tax payable	-	-	2,001	1,310
Total current tax liabilities	-	-	2,001	1,310

7.3 Deferred tax balance

Group

Movements in temporary differences during the year

	Balance 1 July 2020 (\$000)	Recognised in surplus or deficit (\$000)	Recognised in equity (\$000)	Balance 30 June 2021 (\$000)	Recognised in surplus or deficit (\$000)	Recognised in equity (\$000)	Balance 30 June 2022 (\$000)
Property, plant and equipment	20,992	137	1,879	23,008	190	-	23,198
Biological assets	6,655	(6,655)	-	-	-	-	-
Carbon credits	495	(495)	-	-	-	-	-
Investment property	322	34	-	356	33	-	389
Derivatives	(2,098)	-	872	(1,226)	-	1,389	163
Provisions	(273)	281	-	8	(3)	-	5
Other items	354	13	-	367	403	-	770
Tax losses	(3,673)	3,585	-	(88)	(235)	-	(323)
Total movements	22,774	(3,100)	2,751	22,425	388	1,389	24,202

7.4 Unrecognised tax losses*Commentary / Whakaaro*

Council has not recognised a deferred tax asset in relation to tax losses of \$0.85 million (2021: \$nil). However the asset has been recognised at a Group level.

8 Cash and cash equivalents

Accounting Policy / Kaupapahere Kaute

Cash and cash equivalents comprise cash balances and call deposits, and other short-term highly liquid investments with maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of Council's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows and in current liabilities on the statement of financial position.

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

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Actual 2021 (\$000)
Bank balances	18,591	16,668	24,347	25,891
Cash on hand	5	5	5	5
Cash and cash equivalents in the Statement of Cash Flows	18,596	16,673	24,352	25,896

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

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Actual 2021 (\$000)
Southland Building Society	-	4,111	-	4,111
Bank of New Zealand	11,186	-	11,186	-

Commentary / Whakaaro

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

Within the balances above, Council holds:

- \$700,000 (2021:\$700,000) of funds designated for construction of a boat ramp at Bluff, these funds are restricted for this purpose.
- \$1,281,424 (2021: \$581,377) of funds relating to the WasteNet Southland joint arrangement. The other partners' share of this balance is included within Trade and other payables.
- \$25,727 (2021: \$25,686) of funds relating to the Kiwibank Lotto operation. The other partners' share of this balance is included within Trade and other payables.

9 Receivables and prepayments

Accounting Policy / Kaupapahere Kaute

Trade and other receivables are classified as financial assets at amortised cost and are initially measured at fair value and subsequently measured at amortised cost less the recognition of any expected credit losses (ECL) over the life of the asset.

Loans, including loans to community organisations made 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/investments. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of the expected future cash flows is recognised in the Statement of Comprehensive Revenue and Expenses as a grant.

For the purpose of aging analysis, trade receivables includes rates receivables, non-exchange receivables from user charges, other trade receivables and related party receivables.

As debtors and other receivables are non-interest bearing and receipt is normally on 30 day terms, the carrying value of debtors and other receivables approximates their fair value.

An expected credit loss allowance (ECL) has been made for each class of debtor and the estimate is based on the measurement of expected credit losses on historical, current and projected information. The balance of the movement was recognised in net surplus and deficit for the current financial year.

9.1 Receivables

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Actual 2021 (\$000)
Rates and water receivables	2,678	2,495	2,678	2,495
Related party receivables	119	57	236	134
Sundry debtors	3,554	4,829	5,652	7,944
Accrued Revenue	6,298	4,685	6,702	4,685
Goods and services tax	1,165	-	1,090	-
	13,814	12,066	16,358	15,258
Less provision for impairment of receivables	(473)	(690)	(573)	(739)
Total receivables	13,341	11,376	15,785	14,519
Total receivables comprises:				
Receivables from non-exchange transactions	9,964	7,143		
Receivables from exchange transactions	3,377	4,233		
Total receivables	13,341	11,376		

Commentary / Whakaaro

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.

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.

The powers under the Local Government (Rating) Act 2002 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 (2021: Nil) and Section 90B: Nil (2021: Nil)

9.2 Movement in provision for impairment of receivables:

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Actual 2021 (\$000)
At 1 July	(690)	(272)	(739)	(272)
Additional provisions made during the year	(376)	-	(427)	-
Receivables written off during the period	29	51	29	2
Provision for bad and doubtful debts	564	(469)	564	(469)
At 30 June	(473)	(690)	(573)	(739)

Commentary / Whakaaro

As of 30 June 2022 and 2021, 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.

9.3 Credit risks aging of trade receivables

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Actual 2021 (\$000)
Current (less than 3 months)	13,018	11,155	15,279	14,298
3 to 6 months	324	425	507	425
6 to 9 months	23	5	23	5
9 to 12 months	-	-	-	-
> 12 months	(24)	(209)	(24)	(209)
Carrying amount	13,341	11,376	15,785	14,519

Commentary / Whakaaro

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

10 Payables

Accounting Policy / Kaupapahere Kaute

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Actual 2021 (\$000)
Trade payables	3,679	3,709	3,975	3,934
Accrued expenses	8,495	8,204	10,317	9,216
Amounts due from related parties	-	-	1,860	2,060
Revenue in advance	3,135	6,063	3,314	6,773
Goods and services tax	-	2,049	-	2,179
Total trade and other payables	15,309	20,025	19,466	24,162
Total payables comprises:				
Payables from non-exchange transactions	3,135	4,560		
Payables from exchange transactions	12,174	15,465		
Total trade and other payables	15,309	20,025		

Commentary / Whakaaro

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.

11 Property, plant & equipment

Accounting Policy / Kaupapahere Kaute

Property, plant and equipment - Consists of: Operational assets (including land, buildings, library books, plant and equipment, motor vehicles and furniture and fittings); Restricted assets (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) and Infrastructure assets (the fixed utility systems, each asset class includes all items that are required for the network to function)

Property, plant and equipment is recorded at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation (if applicable) or at historical cost less depreciation (if applicable).

Property, plant and equipment held at fair value includes Operational Land and Buildings, Library Books and Infrastructure assets (excluding land under roads). All other property, plant and equipment including land under roads is stated at historical cost less depreciation.

Individual assets, or group of assets, are capitalised if their costs is greater than \$1,000.

Revaluation - Valuations are performed with sufficient regularity to ensure revalued assets are carried at a value that is not materially different from fair value.

Where the Council has elected to account for revaluations of property, plant and equipment on a class of asset basis, increases in the carrying amounts arising on revaluation of a class of assets are credited directly to equity under the heading revaluation reserve. However, the net revaluation increase shall be recognised in surplus or deficit to the extent it reverses a net revaluation decrease of the same class of assets previously recognised in surplus or deficit.

For assets being revalued, the total accumulated depreciation prior to the date of valuation is transferred to the gross carrying amount of the asset. The new carrying value amount is then restated to the new revalued amount of the asset.

Cost - Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to surplus or deficit during the financial period in which they are incurred.

Capital expenditure - Capital expenditure is defined as all expenditure incurred in the creation of a new asset and any expenditure that results in a significant restoration or increased service potential for existing assets. Constructed assets are included in property, plant and equipment as each becomes operational and available for use. Revenue expenditure is defined as expenditure that is incurred in the maintenance and operation of the property, plant and equipment of the Group.

Additions - The cost of an item of property, plant, and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and group and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

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 group and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in surplus or deficit as they are incurred.

Disposals - Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

Depreciation - Depreciation on other assets (except land) is calculated using the straight line or diminishing value methods (land is not depreciated) to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives.

Net asset value - An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount in accordance with the requirements of PBE IPSAS 21 – Impairment of Non-Cash-Generating Assets and PBE IPSAS 26 - Impairment of Cash-Generating Assets. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date in accordance with the requirements of PBE IPSAS 17 – Property, Plant and Equipment.

Impairment - For the purpose of assessing impairment indicators and impairment testing of non-financial assets, the Council classifies non-financial assets as either cash-generating or non-cash-generating assets. The Council classifies a non-financial asset as a cash-generating asset if its primary objective is to generate a commercial return. All other assets are classified as non-cash-generating assets. Impairment losses are recognised through surplus or deficit, unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease and recorded within other comprehensive revenue and expense.

Property, plant and equipment measured at fair value however is reviewed and tested for impairment. The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

The carrying amounts of the Council's other assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount.

Restrictions - Land and buildings in the "Restricted Asset" category are subject to restrictions on either use or disposal, or both. This includes restrictions from legislation (such as land declared as a reserve under the Reserves Act 1977), or other restrictions (such as land or buildings acquired under a bequest or donation that restricts the purpose for which the assets can be used).

The following table highlights the useful life of property plant and equipment, confirmed through the valuation process, which drives the depreciation charge for each asset category and asset class.

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%
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%-6.96% SL
Monuments and Statues	1%-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%-30%SL
Plant	8%-50%DV & 6%-40% SL
Motor Vehicles	10%-15.6% DV & 10%-25% SL
Subsidiaries - Infrastructure Asset	Depreciation Rate
Network Assets	1 %-15% SL
Airport Facilities	Depreciation Rate
Carpark and Fencing	17% - 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	1% -30% SL

Notes to the Financial Statements

11.1 Property, plant and equipment

2022	Council operational assets						Council infrastructural assets						Council restricted assets			Subsidiaries property, plant and equipment								
	Cost / Revaluation	Accumulated depreciation and impairment charges	Carrying amount	Additions and transfers	Disposals / De- recognition	Current year disposals accumulated depreciation	Cost transfers	Depreciation transfers	Impairment charges	Depreciation	Revaluation adjustment - Cost	Revaluation adjustment - Accumulated depreciation	Cost / Revaluation	Accumulated depreciation and impairment charges	Carrying amount	Cost transfers	Depreciation transfers	Impairment charges	Depreciation	Revaluation adjustment - Cost	Revaluation adjustment - Accumulated depreciation	Cost / Revaluation	Accumulated depreciation and impairment charges	Carrying amount
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
	1-Jul-21	1-Jul-21	1-Jul-21													30-Jun-22	30-Jun-22	30-Jun-22						
Council operational assets																								
Land	16,702	-	16,702	-	-	-	355	-	-	-	8,358	-	25,415	-	25,415									
Buildings	169,367	(88,880)	80,487	2,316	-	-	(3,754)	1,108	(1,489)	(4,290)	129,460	(92,562)	297,389	(186,113)	111,276									
Library books	4,263	(895)	3,368	417	-	-	(368)	368	-	(657)	67	1,184	4,379	-	4,379									
Plant and equipment	15,422	(11,585)	3,837	1,067	(300)	196	-	5	-	(781)	-	-	16,189	(12,165)	4,024									
Motor vehicles	5,158	(3,863)	1,295	295	(367)	324	-	1	-	(434)	-	-	5,086	(3,972)	1,114									
Furniture and fittings	1,580	(759)	821	76	(28)	11	20	(8)	-	(170)	-	-	1,648	(926)	722									
Total Council operational assets	212,492	(105,982)	106,510	4,171	(695)	531	(3,747)	1,474	(1,489)	(6,332)	137,885	(91,378)	350,106	(203,176)	146,930									
Council infrastructural assets																								
Roads, bridges and footpaths	521,254	(287,193)	234,061	6,558	-	-	(4,380)	5,894	-	(9,947)	170,709	(120,627)	694,141	(411,873)	282,268									
Stormwater systems	368,397	(196,047)	172,350	2,647	-	-	(2,795)	2,648	-	(3,882)	58,021	(34,586)	426,270	(231,867)	194,403									
Wastewater systems - Treatment plants facilities	50,449	(25,657)	24,792	297	-	-	(146)	258	-	(1,065)	13,458	(4,930)	64,058	(31,394)	32,664									
Wastewater systems - Other assets	261,821	(167,216)	94,605	4,108	-	-	(4,385)	4,147	-	(3,023)	138,072	(92,294)	399,616	(258,386)	141,230									
Water systems - Treatment plants facilities	28,961	(11,156)	17,805	265	-	-	(266)	(1)	-	(681)	2,942	3,060	31,902	(8,778)	23,124									
Water systems - Other assets	254,481	(126,973)	127,508	2,527	-	-	(3,024)	2,791	-	(3,382)	146,219	(110,085)	400,203	(237,649)	162,554									
Land under roads	45,046	-	45,046	-	-	-	-	-	-	-	-	-	45,046	-	45,046									
Total Council infrastructural assets	1,530,409	(814,242)	716,167	16,402	-	-	(14,996)	15,737	-	(21,980)	529,421	(359,462)	2,061,236	(1,179,947)	881,289									
Council restricted assets																								
Land	8,917	-	8,917	-	-	-	-	-	-	-	-	-	8,917	-	8,917									
Land - Forestry	1,670	-	1,670	-	-	-	-	-	-	-	-	-	1,670	-	1,670									
Monuments and statues	590	(53)	537	75	-	-	(31)	31	-	(41)	-	-	634	(63)	571									
Hard surfaces and appurtenance	5,960	(848)	5,112	395	-	-	2,679	-	-	(465)	-	-	9,034	(1,313)	7,721									
Total Council restricted assets	17,137	(901)	16,236	470	-	-	2,648	31	-	(506)	-	-	20,255	(1,376)	18,879									
Total Council property, plant and equipment	1,760,038	(921,125)	838,913	21,043	(695)	531	(16,095)	17,242	(1,489)	(28,818)	667,306	(450,840)	2,431,597	(1,384,499)	1,047,098									
Subsidiaries property, plant and equipment																								
Land	2,009	-	2,009	-	-	-	-	-	-	-	400	-	2,409	-	2,409									
Terminals	7,256	(1,292)	5,964	-	-	-	-	-	-	(217)	-	-	7,256	(1,509)	5,747									
Gravel and fencing	4,289	(1,502)	2,787	48	-	-	-	-	-	(166)	-	-	4,337	(1,668)	2,669									
Buildings and yards	14,783	(1,416)	13,367	-	-	-	-	-	-	(855)	(372)	-	14,411	(2,271)	12,140									
Network assets	129,263	(27,109)	102,154	8,089	(121)	30	-	-	-	(4,551)	-	-	137,231	(31,630)	105,601									
Plant and equipment	2,815	(2,261)	554	65	(10)	10	-	-	-	(85)	-	-	2,870	(2,336)	434									
Motor vehicles	2,610	(2,539)	71	109	(40)	26	-	-	-	(31)	-	-	2,679	(2,544)	135									
Furniture and fittings	5,660	(2,604)	3,056	72	-	-	-	-	-	(433)	-	-	5,732	(3,037)	2,695									
Runways and taxi ways	14,974	(9,977)	4,997	-	-	-	-	-	-	(829)	-	-	14,974	(10,806)	4,168									
Total subsidiaries property, plant and equipment	183,659	(48,700)	134,959	8,383	(171)	66	-	-	-	(7,167)	28	-	191,899	(55,801)	135,998									
Total Group property, plant and equipment	1,943,697	(969,825)	973,872	29,426	(866)	597	(16,095)	17,242	(1,489)	(35,985)	667,334	(450,840)	2,623,496	(1,440,300)	1,183,097									

Notes to the Financial Statements

2021	Accumulated depreciation			Additions and transfers	Disposals / De-recognition	Current year disposals accumulated depreciation	Cost transfers	Depreciation transfers	Impairment charges	Depreciation	Revaluation adjustment - Cost	Revaluation adjustment - Accumulated depreciation	Accumulated depreciation and impairment		
	Cost / Revaluation	charges	Carrying amount										Cost / Revaluation	charges	Carrying amount
	\$000	\$000	\$000										\$000	\$000	\$000
	1-Jul-20	1-Jul-20	1-Jul-20										30-Jun-21	30-Jun-21	30-Jun-21
Council operational assets															
Land	17,068	-	17,068	-	(366)	-	-	-	-	-	-	-	16,702	-	16,702
Buildings	166,056	(85,158)	80,898	3,716	(678)	477	273	47	-	(4,246)	-	-	169,367	(88,880)	80,487
Library books	4,215	(590)	3,625	388	-	-	(340)	340	-	(645)	-	-	4,263	(895)	3,368
Plant and equipment	15,629	(11,568)	4,061	588	(253)	231	(542)	437	-	(685)	-	-	15,422	(11,585)	3,837
Motor vehicles	5,127	(3,672)	1,455	390	(436)	363	77	(77)	-	(477)	-	-	5,158	(3,863)	1,295
Furniture and fittings	438	(317)	121	762	(5)	4	385	(314)	-	(132)	-	-	1,580	(759)	821
Total Council operational assets	208,533	(101,305)	107,228	5,844	(1,738)	1,075	(147)	433	-	(6,185)	-	-	212,492	(105,982)	106,510
Council infrastructural assets															
Roads, bridges and footpaths	521,199	(286,408)	234,791	9,113	-	-	(9,058)	9,058	-	(9,843)	-	-	521,254	(287,193)	234,061
Stormwater systems	368,397	(192,805)	175,592	631	-	-	(631)	631	-	(3,873)	-	-	368,397	(196,047)	172,350
Wastewater systems - Treatment plants and facilities	50,449	(24,635)	25,814	40	-	-	(40)	40	-	(1,062)	-	-	50,449	(25,657)	24,792
Wastewater systems - Other assets	261,821	(166,405)	95,416	2,206	-	-	(2,206)	2,206	-	(3,017)	-	-	261,821	(167,216)	94,605
Water systems - Treatment plants and facilities	28,960	(10,741)	18,219	266	-	-	(265)	265	-	(680)	-	-	28,961	(11,156)	17,805
Water systems - Other assets	254,481	(125,888)	128,593	2,291	-	-	(2,291)	2,291	-	(3,376)	-	-	254,481	(126,973)	127,508
Land under roads	45,051	(5)	45,046	-	-	-	(5)	5	-	-	-	-	45,046	-	45,046
Total Council infrastructural assets	1,530,358	(806,887)	723,471	14,547	-	-	(14,496)	14,496	-	(21,851)	-	-	1,530,409	(814,242)	716,167
Council restricted assets															
Land	8,965	(132)	8,833	97	(9)	-	(136)	136	-	(4)	-	-	8,917	-	8,917
Land - Forestry	1,670	-	1,670	-	-	-	-	-	-	-	-	-	1,670	-	1,670
Buildings	628	(342)	286	-	-	-	(628)	342	-	-	-	-	-	-	-
Monuments and statues	437	(46)	391	153	-	-	-	-	-	(7)	-	-	590	(53)	537
Hard surfaces and appurtenance	5,440	(480)	4,960	521	-	-	(1)	1	-	(369)	-	-	5,960	(848)	5,112
Total Council restricted assets	17,140	(1,000)	16,140	771	(9)	-	(765)	479	-	(380)	-	-	17,137	(901)	16,236
Total Council property, plant and equipment	1,756,031	(909,192)	846,839	21,162	(1,747)	1,075	(15,408)	15,408	-	(28,416)	-	-	1,760,038	(921,125)	838,913
Subsidiaries property, plant and equipment															
Land	2,009	-	2,009	-	-	-	-	-	-	-	-	-	2,009	-	2,009
Terminals	7,256	(1,075)	6,181	-	-	-	-	-	-	(217)	-	-	7,256	(1,292)	5,964
Gravel and fencing	4,305	(1,334)	2,971	2	(18)	5	-	-	-	(173)	-	-	4,289	(1,502)	2,787
Buildings and yards	14,829	(670)	14,159	-	-	-	-	-	(254)	(492)	(46)	-	14,783	(1,416)	13,367
Network assets	124,019	(29,196)	94,823	4,997	(343)	261	-	(6,119)	-	(4,293)	590	-	129,263	(27,109)	102,154
Plant and equipment	2,814	(2,166)	648	23	(22)	17	-	-	-	(112)	-	-	2,815	(2,261)	554
Motor vehicles	2,610	(2,529)	81	-	-	-	-	-	-	(10)	-	-	2,610	(2,539)	71
Furniture and fittings	5,538	(2,175)	3,363	127	(5)	2	-	-	-	(431)	-	-	5,660	(2,604)	3,056
Runways and taxi ways	14,974	(9,148)	5,826	-	-	-	-	-	-	(829)	-	-	14,974	(9,977)	4,997
Total subsidiaries property, plant and equipment	178,354	(48,293)	130,061	5,149	(388)	285	-	(6,119)	(254)	(6,557)	544	-	183,659	(48,700)	134,959
Total Group property, plant and equipment	1,934,385	(957,485)	976,900	26,311	(2,135)	1,360	(15,408)	9,289	(254)	(34,973)	544	-	1,943,697	(969,825)	973,872

11.2 Work in progress

Accounting Policy / Kaupapahere Kaute

Work in progress includes the cost of 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 the period. Capital work in progress is not depreciated.

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Actual 2021 (\$000)
Buildings	2,630	1,349	2,761	1,420
Network assets	-	-	1,856	2,776
Plant and equipment	45	27	60	27
Motor vehicles	-	27	1,102	27
Roads, bridges and footpaths	12,095	1,349	12,146	1,349
Stormwater systems	13,795	2,630	13,795	2,630
Wastewater systems	27	1,218	27	1,218
Water systems	6,707	599	6,707	599
Restricted buildings	-	15	-	15
Monuments and statues	-	6	-	6
Hard surfaces and appurtenance	-	49	-	49
Runaways and taxi ways	-	-	90	-
Total work in progress	35,299	7,269	38,544	10,116

Commentary / Whakaaro

Council has commenced a number of significant capital projects during 2021/2022 of which many were still in progress as at 30 June 2022. These include the City Centre Streetscape project on Esk and Don Streets (Roads, bridges and footpaths), Stead Street Stop Bank project (Stormwater) and Branxholme pipeline project (Water).

11.3 Core infrastructure asset disclosures

	Closing book value (\$000)	Additions: constructed by Council (\$000)	Additions: transferred to Council (\$000)	Most recent replacement cost estimate for revalued assets (\$000)
2022				
Roads, bridges and footpaths	282,268	6,558	-	692,555
Stormwater systems	194,403	2,647	-	425,879
Wastewater systems - Treatment plants and facilities	32,664	297	-	64,457
Wastewater systems - Other assets	141,230	4,108	-	388,330
Water systems - Treatment plants and facilities	23,124	265	-	31,903
Water systems - Other assets	162,554	2,527	-	390,663
Land under roads	45,046	-	-	159,972
	881,289	16,402	-	2,153,759
2021				
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
	716,167	14,547	-	1,747,822

Commentary / Whakaaro

The replacement cost is based on the replacement cost estimate at the last valuation of the asset class: water systems (2022), wastewater systems (2022), stormwater systems (2022) roads, bridges and footpaths (2022) and land under roads (2017).

11.4 Revaluations

Accounting Policy / Kaupapahere Kaute

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 bridges and footpaths are valued at optimised depreciated replacement cost (ODRC). Valuations are completed three-yearly.

Stormwater, Wastewater and Water Systems

Assets are valued at optimised depreciated replacement cost (ODRC). Valuations are completed three yearly.

Vested assets

Certain infrastructure assets and land have been vested in the Council as part of the subdivision 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.

Operational land and buildings

Operational land and buildings were valued by Quotable Value Limited (independent valuers) as at 30 June, 2022. 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 optimised 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 \$46.23 million.

The Invercargill City Charitable Trust Board property, plant and equipment was valued by Quotable Value Ltd at 30 June 2022 as \$14,040,400, with fair value being determined on the basis of depreciated replacement cost.

Council infrastructural assets

Council's water, stormwater and waste water assets were valued by Beca Limited (independent valuers) as at 30 June 2022. All assets were valued using optimised depreciated replacement cost (ORDC).

The revaluation resulted in the following increases:

Water Supply	\$42.1 million
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Stormwater	\$23.4 million
Wastewater	\$54.3 million

Council's roads, bridges and footpaths were valued by Council staff and then peer reviewed by IAM Consulting Limited (independent valuer) as at 30 June, 2022. Assets were valued using optimised depreciated replacement cost (ODRC). Where the relevant market price data is not available (i.e. no recent construction contract) then indexing has been used as part of the method to determine fair value of assets. This resulted in an increase of \$50.1 million.

Optimised Depreciated Replacement Cost (ODRC)

ODRC 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.

Library books

Council's library collections were valued by Council staff as at 30 June 2022. 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. This resulted in an increase in value of \$1.25 million.

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 \$6.7 million.

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%
- RAB multiple range of 1.0 times for the terminal value.

11.5 Fair Value Assessment undertaken in 2021

Council's operational land and buildings and Infrastructural assets were revalued in 2022. The 2021 comparative numbers were prepared after assessment of whether the carrying value was reflective of fair value. Taking into account market factors at the time.

Council considered that as at 30 June 2021 the value of infrastructural assets were reflected at asset fair value, however there was 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 meant the demand versus supply in the Three Waters infrastructure market had caused a price bidding war and significant uncertainty in many regions. Instead of supply increasing Council had 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 become a sellers' market.

While BERL and the Statistics New Zealand Construction price index made available after the 30 June 2021 balance date pointed to potential significant price increases, Invercargill had not had any significant works completed during the 2021 year to provide an indication whether the price increases were directly affecting the local industry or were 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 had not significantly changed and the methods had not significantly altered over the previous two years. Council's 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 the fluctuations are better understood and a more stable market prevails.

Given the uncertainties present in 2021, management considered that the current book value of infrastructural assets was reflective of the fair value of the assets.

Operational land and buildings were revalued in 2019. Quotable Value 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 had moved between (2.2%) to 2.8% and the movement in land value between 21.48% to 31.05%. The land movement was 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 did consider that the current value of land and buildings reflected their fair value at 30 June 2021.

11.6 Insurance of assets (Council)

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

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)
Total value of all assets covered by insurance contracts	1,413,390	1,330,639
Maximum amount to which these assets are insured	1,448,232	1,359,297

Commentary / Whakaaro

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.

12 Intangible assets

Accounting Policy / Kaupapahere Kaute

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

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.

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.

12.1 Intangible assets

	Council and Group		
	Computer software (\$000)	Carbon credits (\$000)	Total (\$000)
Cost			
Balance at 1 July 2020	1,796	4,229	6,025
Additions	1,021	(3,195)	(2,174)
Change in fair value	-	367	367
Balance at 30 June, 2021	2,817	1,401	4,218
Additions	104	-	104
Cost transfers	(104)	-	(104)
Change in fair value	-	1,047	1,047
Balance at 30 June, 2022	2,817	2,448	5,265
Amortisation and impairment charges			
Balance at 1 July 2020	1,611	-	1,611
Amortisation for the year	178	-	178
Balance at 30 June, 2021	1,789	-	1,789
Amortisation for the year	401	-	401
Amortisation transfer	(104)	-	(104)
Balance at 30 June, 2022	2,086	-	2,086
Net book value			
Balance at 30 June, 2022	731	2,448	3,179
Balance at 30 June, 2021	1,028	1,401	2,429
Work in progress			
Balance at 30 June, 2022	812	-	812
Balance at 30 June, 2021	108	-	108

Restrictions

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

Carbon credits

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

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

13 Biological 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.

	Council Forestry (\$000)	Group Forestry (\$000)
Balance at 1 July 2020	3,618	3,618
Forest assets logged at cost	(151)	(151)
Forest assets held for sale	555	555
Balance at 30 June, 2021	4,022	4,022
Balance at 1 July 2021	4,022	4,022
Forest assets logged at cost	(136)	(136)
Change in fair value less estimated point-of-sale costs	(38)	(38)
Balance at 30 June 2022	3,848	3,848

At 30 June 2022 standing timber comprised approximately 633.2 hectares (2021: 602 hectares) of plantations at one location, which range from newly established plantations to plantations that are 50 years old.

The forests are valued annually effective 30 June. The 2022 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 (2021: same method). The pre-tax discount rate chosen for the 2022 valuation of the Invercargill City Council's forests is 7.5% (2021: 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.

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.

Emissions Trading Scheme

Pre 1990 Forests:

Pre 1990 forests are forests that were established before 1 January 1990. NZUs cannot be earned for an increase in the carbon stock through forest growth in a pre 1990 forest, but NZUs 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 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, either 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.

Deforestation Liability

Council has harvested a total of 251.8 hectares of pre 1990 forest. Of this harvested land, 15.9 (2021: 49.6) hectares has not yet been replanted at 30 June 2022 and carries a potential deforestation liability of \$1,115,087 (2021:\$1,657,885) if the land is not replanted. It is Council's intention that these harvested areas will be re-established to ensure that there will be no obligation to surrender units.

Supply and demand risk

Council and the Group exposed to risks arising from fluctuations in the price and sales volume of pine. Where possible these are managed by aligning its harvest volume to market supply and demand.

The Group is exposed to movements in the price of NZUs to the extent that the Group has insufficient NZUs to offset a deforestation liability and has to purchase NZUs 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.

14 Capital commitments and operating leases

Accounting Policy / Kaupapahere Kaute

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

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.

14.1 Commitments

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Actual 2021 (\$000)
Capital expenditure - Infrastructure	7,350	6,102	7,350	6,102
Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment	11,216	326	13,103	3,504
Total commitments	18,566	6,428	20,453	9,606

Commentary / Whakaaro

Associates & Joint Venture commitments ICHL Group

At 30 June 2022, Invercargill Central Limited had entered into contractual commitments for the development of property, plant and equipment and investment property, and tenancy contributions amounting to \$180.5million, of which \$138.9 million has been spent at balance date.

At 31st March 2022, Lakeland Network Ltd has capital commitment of \$3.14 million (2021: \$1.75 million).

Other commitments ICHL Group

The Group has a conditional commitment as at 31 March 2022 of \$415,000 (2021: \$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.

Commitments ICCT

ICCT have an obligation to provide office space for Rugby Southland Incorporated under an existing lease agreement. ICCT have subsequently agreed to cover a three year lease between Rugby Southland and the owner of alternative premises to the value of \$107,100 over three years (\$35,700 excl. GST per annum) which started 1 July 2021. As at 30 June 2022 ICCT have paid the first instalment of \$35,700 of the new alternative premises lease (2022: \$35,700) and (2021: \$14,400) for rental of alternate offices at the Invercargill Netball Centre.

14.2(a) Operating leases as lessor – investment property

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Actual 2021 (\$000)
Non-cancellable operating leases as lessor				
Not later than one year	1,376	1,245	1,683	1,723
Later than one year and not later than five years	2,328	2,482	2,996	3,508
Later than five years	774	868	814	1,015
Total non-cancellable operating leases as lessor	4,478	4,595	5,493	6,246

Commentary / Whakaaro

The Council leases its investment property under 42 operating leases. There are 13 leases that have a non-cancellable term of 21 years or more, 14 leases that range between 6 and 20 years, 11 leases from 2 to 5 years, and 4 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 outlined above.

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.

14.2(b) Operating leases as lessor – other

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Actual 2021 (\$000)
Non-cancellable operating leases as lessor				
Not later than one year	114	156	114	156
Later than one year and not later than five years	286	208	286	208
Later than five years	361	386	361	386
Total non-cancellable operating leases as lessor	761	750	761	750

Commentary / Whakaaro

The Council leases its other property under operating leases. There are four properties, of which two leases which are yearly, two leases which have less than 5 years and zero leases which have greater than 5 years.

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 detailed above.

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 restriction placed on the Council by any of the leasing arrangements.

14.3 Operating leases as lessee

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Actual 2021 (\$000)
Non-cancellable operating leases as lessee				
Not later than one year	172	261	172	261
Later than one year and not later than five years	39	368	39	368
Later than five years	-	67	-	67
Total non-cancellable operating leases as lessee	211	696	211	696

Commentary / Whakaaro

The Council has leased 3 properties under operating leases in the normal course of its business. There are no annual leases, one lease which have less than 5 years and two leases which are greater than 5 years.

The future aggregate minimum lease payments to be collected under non-cancellable operating leases are detailed above. 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 not have the option to purchase the asset at the end of the lease term.

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

15 Non-current assets held for resale

Accounting Policy / Kaupapahere Kaute

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. Further, the liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position. Those assets and liabilities shall not be offset and presented as a single amount.

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Actual 2021 (\$000)
Land	-	8,680	-	8,680
Buildings	-	1,300	-	1,300
Total non-current assets held for resale	-	9,980	-	9,980

Commentary / Whakaaro

The Council's strategic development investment properties in Esk Street West were sold and settled in June 2022. The investment property sold for \$1.0 million. This resulted in a gain on sale of \$555,000 based on the book value of the property (fair value less cost of sale based on the investment property valuation undertaken by Robert Todd of Telfer Young Ltd).

The Council's Awarua investment property was sold and settled in June 2022. Council has retained a portion of the property including the historic German cottages. The investment property was sold for \$10.2 million. This resulted in a gain on sale of \$595,665 based on the book value of the property (book value was the fair value less cost of sale based on the investment property valuation undertaken by Robert Todd of Telfer Young Limited).

16 Investment property

Accounting Policy / Kaupapahere Kaute

Investment properties are properties which are held either to earn rental revenue or for capital appreciation or for both. Investment properties generate cash flow largely independent of other assets held by the entity.

Properties leased to third parties under operating leases are generally classified as investment property unless the occupants provide services that are integral to the operation of the Council's business and/or these services could not be provided efficiently and effectively by the lessee in another location, the property is being held for future delivery of services, the lessee uses services of the Council and those services are integral to the reasons for the lessee's occupancy of the property.

Properties that are held for a currently undetermined future use, or that are vacant but held to be leased out under one or more operating leases, are classified as investment properties.

Investment properties are stated at fair value. An external, independent valuer, values the portfolio every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction.

Any gain or loss arising from a change in fair value is recognised through surplus or deficit.

Rental revenue from investment property is accounted for as described in the Revenue Policy.

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Actual 2021 (\$000)
Balance at 1 July	28,113	36,518	33,283	40,718
Acquisitions	1,818	-	1,818	-
Disposals	(700)	(1,837)	(700)	(1,837)
Transfer to non-current assets held for resale	-	(9,980)	-	(9,980)
Transfer (to) from property, plant and equipment	(1,840)	-	(1,840)	-
Change in fair value	(630)	3,412	(295)	4,382
Balance at 30 June	26,761	28,113	32,266	33,283
Work in progress				
Investment property	-	1,315	-	1,315
Balance at 30 June	-	1,315	-	1,315

Commentary / Whakaaro

Acquisitions include fit out of offices at 20 Don Street.

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 Property department and the funds are returned to Investment Property activity to assist in offsetting the rates burden.

The Council's investment properties are valued annually at fair value effective 30 June.

The Group's investment properties are valued annually at fair value effective 30 June. Group Investment properties are held by Council and Invercargill Airport Limited. For 2022 and 2021, all investment properties were valued based on the income approach and comparable sales approach except for two properties being less than 5% of the portfolio value. One of these properties is planned to be replaced within the next year and the other is planned to be replaced within the

next two years (2021: both properties in the 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 2022 and 2021 valuations were performed by Robert Todd, an independent valuer from TelferYoung. The valuer is an experienced valuer who holds a recognised and relevant professional qualification and has extensive market knowledge in the types of investment properties owned the Group.

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 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	Council	Council	Group	Group
	Actual	Actual	Actual	Actual
	2022	2021	2022	2021
	(\$000)	(\$000)	(\$000)	(\$000)
Rental revenue derived from investment properties	1,281	1,218	1,281	1,218
Direct operating expenses (including repairs and maintenance) generating rental revenue	(421)	(327)	(421)	(327)
Direct operating expenses (including repairs and maintenance) that did not generate rental revenue	(1,102)	(861)	(1,102)	(861)
Surplus/(Deficit) arising from investment properties carried at fair value	(242)	30	(242)	30

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.

17 Investments in associates and joint arrangements

Accounting Policy / Kaupapahere Kaute

Associates are entities over which the Council has significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights.

Investments in associates are accounted for in the Council's financial statements using the cost method and in the consolidated financial statements using the equity method, after initially being recognised at cost. The Council's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Council's share of its associates' post acquisition profits or losses is recognised in the surplus or deficit, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the Council's surplus or deficit, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Council's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Council does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Council and its associates are eliminated to the extent of the Council's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Council.

Joint ventures are those over whose activities the Group has joint control and established by contractual agreement. The Group's share of the assets, liabilities, revenues and expenses of any joint venture is incorporated into the Group's financial statements using the equity method. The investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of the surplus or deficit after the date of acquisition. The Group's share of the surplus or deficit is recognised in the Statement of Comprehensive Income while distributions reduce the carrying amount.

A joint operation (Wastenet Southland) 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.

17.1 Investment in Associates

	Percentage held by		
	Group 2022	Group 2021	Balance date
Associate entities			
Emergency Management Southland	28.3%	28.3%	30-Jun
Southland Regional Heritage Committee	63.0%	63.0%	30-Jun
Lakeland Network Limited (former 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 Great South	48.7%	48.7%	30-Jun

Movement in carrying value of associates	Group Actual 2022 (\$000)	Group Actual 2021 (\$000)
	Balance at 1 July	5,054
Share of profit/(loss)	139	(269)
Investments in associates	-	-
Balance at 30 June	5,193	5,054

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

	Cash and cash equivalents (\$000)	Current assets (\$000)	Non-current assets (\$000)	Total assets (\$000)	Current liabilities (\$000)	Non-current liabilities (\$000)	Total liabilities (\$000)	Net assets (\$000)
2022								
Emergency Management Southland	-	180	-	180	-	-	-	180
Southland Regional Heritage Committee	618	400	7	1,025	206	56	262	763
Lakeland Network Limited (former Electricity Southland Limited)	175	759	40,807	41,741	2,188	18,697	20,885	20,856
HWCP Management Limited	61	3,757	498	4,316	5,419	-	5,419	(1,103)
Southland Regional Development Agency Limited trading as Great South	9,509	2,641	1,800	13,950	11,292	-	11,292	2,659
	10,363	7,737	43,112	61,212	19,105	18,753	37,858	23,355
2021								
Emergency Management Southland	-	196	-	196	-	-	-	196
Southland Regional Heritage Committee	388	423	10	821	396	-	396	425
Lakeland Network Limited (former Electricity Southland Limited)	-	669	33,796	34,465	2,223	11,943	14,166	20,299
HWCP Management Limited	-	5,748	499	6,247	6,872	-	6,872	(625)
Southland Regional Development Agency Limited trading as Great South	1,657	2,474	1,729	5,860	3,494	12	3,506	2,354
	2,045	9,510	36,034	47,589	12,985	11,955	24,940	22,649

	Operating revenue (\$000)	Interest revenue (\$000)	Interest expense (\$000)	Depreciation (\$000)	Profit before tax from continuing activities (\$000)	Income tax expense (\$000)	Total comprehensive income (\$000)
2022							
Emergency Management Southland	1,339	-	-	20	371	-	371
Southland Regional Heritage Committee	2,170	9	-	6	224	-	224
Lakeland Network Limited (former Electricity Southland Limited)	4,024	(493)	-	-	927	(370)	557
HWCP Management Limited	-	-	-	-	(479)	-	(479)
Southland Regional Development Agency Limited trading as Great South	9,222	30	2	277	1,064	(270)	794
	16,755	(454)	2	303	2,107	(640)	1,467
2021							
Emergency Management Southland	1,379	-	-	20	93	-	93
Southland Regional Heritage Committee	1,852	6	-	6	(106)	-	(106)
Lakeland Network Limited (former Electricity Southland Limited)	3,182	-	-	-	355	-	355
HWCP Management Limited	15	-	-	-	426	-	426
Southland Regional Development Agency Limited trading as Great South	7,746	-	2	277	928	22	950
	14,174	6	2	303	1,696	22	1,718

Commentary / Whakaaro

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 \$551,968 have not been recognised as the Group's share of the losses exceeds its interest in the associate.

The HWCP Management Limited associate has contingent liabilities as at 30 June 2022 of \$nil (2021: nil).

17.2 Investment in joint ventures and joint operations

	Percentage held by Group		Balance Date
	2022	2021	
Joint ventures			
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	45.8%	49.7%	30-Jun

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

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

	Cash and cash equivalents (\$000)	Current assets (\$000)	Non- current assets (\$000)	Total assets (\$000)	Current liabilities (\$000)	Non- current liabilities (\$000)	Total liabilities (\$000)	Net assets (\$000)
2022								
Venture Southland	180	-	-	180	-	-	-	180
PowerNet Limited Group	616	21,366	43,255	65,237	10,409	49,212	59,621	5,616
OtagoNet Joint Venture	994	3,793	218,613	223,400	4,946	693	5,639	217,761
Roaring Forties Energy Limited Partnership	23	-	84,235	84,258	19	-	19	84,239
Invercargill Central Limited	-	1,592	144,205	145,797	7,050	47,300	54,350	91,447
	1,813	26,751	490,308	518,872	22,424	97,205	119,629	399,243
2021								
Venture Southland	182	-	-	182	3	-	3	179
PowerNet Limited Group	1,399	23,689	36,658	61,746	12,583	44,851	57,434	4,312
OtagoNet Joint Venture	-	4,774	214,260	219,034	4,914	894	5,808	213,226
Roaring Forties Energy Limited Partnership	-	34	80,247	80,281	30	-	30	80,251
Invercargill Cental Limited	-	2,868	78,071	80,939	4,812	-	4,812	76,127
	1,581	31,365	409,236	442,182	22,342	45,745	68,087	374,095

	Operating revenue (\$000)	Interest revenue (\$000)	Interest expense (\$000)	Depreciation (\$000)	Profit before tax from continuing activities (\$000)	Income tax expense (\$000)	Total comprehensive income (\$000)
2022							
Venture Southland	-	-	-	-	-	-	-
PowerNet Limited Group	85,311	8	2,413	3,592	3,073	783	2,290
OtagoNet Joint Venture	31,572	2	-	(8,133)	10,235	-	10,235
Roaring Forties Energy Limited Partnership	5,616	-	-	-	5,295	-	5,295
Invercargill Central Limited	284	-	-	25	(1,581)	-	(1,581)
	122,783	10	2,413	(4,516)	17,022	783	16,239
2021							
Venture Southland	-	-	-	-	46	-	46
PowerNet Limited Group	81,349	-	1,511	3,424	2,694	645	2,049
OtagoNet Joint Venture	31,973	-	-	-	10,060	-	10,060
Roaring Forties Energy Limited Partnership	4,306	-	-	-	4,001	-	4,001
Invercargill Central Limited	5	-	-	-	(1,207)	-	(1,207)
	117,633	-	1,511	3,424	15,594	645	14,949

Movement in carrying value of joint ventures	Group	Group
	Actual	Actual
	2022	2021
	(\$000)	(\$000)
Balance at 1 July	132,182	112,928
Investments in joint ventures	8,477	20,674
Share of profit/(loss)	4,854	4,311
Revaluation gain on network assets	(6,326)	(5,731)
Balance at 30 June	139,187	132,182

17.3 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:

	Actual	Actual
	2022	2021
	(\$000)	(\$000)
Current assets	1,608	1289
Current liabilities	863	633
Reserves	656	477
Profit	89	179

18 Other financial assets

Accounting Policy / Kaupapahere Kaute

Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the assets (other than financial assets at fair value through surplus or deficit). Transaction costs directly attributable to the acquisition of financial assets at fair value through surplus or deficit are recognised immediately in surplus or deficit.

The Council and Group classifies its investments in the following categories determined by the business model for managing the financial asset and the contractual cash flow characteristics of the financial assets:

Financial assets measured at amortised cost

Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest on the principal amount outstanding are subsequently measured at amortised cost.

These are non-derivative financial assets which are not quoted in an active market.

Fair value through other comprehensive revenue or expense (FVTOCRE)

Financial assets held for collection of contractual cash flows and for selling where the cash flows are solely payments of principal and interest on the principal amount outstanding are subsequently measured at fair value through other comprehensive revenue or expense (FVTOCRE).

Changes in the carrying amount subsequent to initial recognition as a result of impairment gains or losses, foreign exchange gains and losses and interest revenue calculated using the effective interest method are recognised in surplus or deficit. The amounts that are recognised in surplus or deficit are the same as the amounts that would have been recognised in surplus or deficit if these financial assets had been measured at amortised cost. All other changes in the carrying amount of these financial assets are recognised in other comprehensive revenue and expenses. When these financial assets are derecognised, the cumulative gains or losses previously recognised in other comprehensive revenue and expense are reclassified to surplus or deficit.

On initial recognition the Council may make the irrevocable election to designate investments in equity investments as at FVTOCRE. Designation at FVTOCRE is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a PBE combination to which PBE IPSAS 40 applies. Subsequent to initial recognition equity investments at FVTOCRE are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive revenue and expense. The cumulative gain or loss will not be reclassified to surplus or deficit on disposal of the equity investments, instead, they will be transferred to accumulated surplus.

Fair value through surplus or deficit

By default, all other financial assets not measured at amortised cost or FVTOCRE are measured at fair value through surplus or deficit.

Financial assets at fair value through surplus or deficit are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in surplus or deficit to the extent they are not part of a designated hedging relationship.

The net gain or loss recognised in surplus or deficit includes any dividend or interest earned on the financial asset.

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.

The Council recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost or at FVTOCRE. No impairment loss is recognised for investments in equity instruments. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

18.1 Other financial assets

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Actual 2021 (\$000)
Current financial assets				
Loans to related parties	-	160	-	160
Short term deposits	24,960	35,373	24,960	36,316
Total current financial assets	24,960	35,533	24,960	36,476
Non-current financial assets				
Loans to related parties	12,800	-	12,800	-
LGFA Borrower notes	1,308	1,058	1,308	1,058
Other investments	49	46	1,872	164
Equity share investments	1,120	1,108	1,120	1,108
Total non-current financial assets	15,277	2,212	17,100	2,330
Total other financial assets	40,237	37,745	42,060	38,806
Investments in Subsidiaries				
Loans to subsidiary - Redeemable preference share value	-	16,777	-	-
Investment in subsidiary - Ordinary share value	76,569	59,792	-	-
	76,569	76,569	-	-

Commentary / Whakaaro

Short term deposits reflect the carrying amount and fair value of term deposits.

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

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

During the 2022 financial year Council advanced Invercargill Central Limited (ICL) \$12.8 million in loan funding for its city centre development. Interest is charged at market rates on the loan.

19 Derivatives and Borrowing

19.1. Derivatives

Accounting Policy / Kaupapahere Kaute

The Council and Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational, financing and investment activities. In accordance with the treasury policies of the respective Group entities, the Council does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially and subsequently at fair value. Changes in fair value are recognised immediately in surplus or deficit. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The Council uses derivatives to hedge its exposure to interest rate risks. The derivatives are designated as either cash flow hedges (hedging highly probable future transactions (borrowing)) or fair value hedges (hedging the fair value of recognised assets or liabilities).

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive revenue and expense, limited to the cumulative change in the fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in surplus or deficit. When the hedging relationship ceases to meet the criteria for hedge accounting any gain or loss recognised in other comprehensive revenue and expense and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in surplus or deficit. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in surplus or deficit.

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.

Changes in the fair value of derivatives that are designated as fair value hedges are recorded in surplus or deficit, together with changes in the fair value of the hedged asset or liability. The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in surplus or deficit. When the hedging relationship ceases to meet the criteria for hedge accounting the fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to surplus or deficit from that date.

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Actual 2021 (\$000)
Current derivative financial instruments				
Interest rate swaps (cash flow hedges) - liabilities	-	-	(61)	(123)
	-	-	(61)	(123)
Non-current derivative financial instruments				
Interest rate swaps (cash flow hedges) - assets	481	-	1,124	-
Interest rate swaps (cash flow hedges) - liabilities	-	(1,904)	-	(6,161)
	481	(1,904)	1,124	(6,161)
Total derivative financial instruments	481	(1,904)	1,063	(6,284)

19.2 Borrowings and other financial liabilities

Accounting Policy / Kaupapahere Kaute

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in surplus or deficit over the period of the borrowings on an effective interest basis.

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.

Borrower notes

Borrower notes are subordinated convertible debt instruments that the Council subscribes for an amount equal to 2.5% 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 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.

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Actual 2021 (\$000)
Current				
Secured loans	20,373	522	43,119	85,676
LGFA Debt	12,989	10,000	12,989	10,000
Total Current	33,362	10,522	56,108	95,676
Non-current				
LGFA Debt	68,500	58,500	136,700	58,500
Other secured loans	200	20,200	200	20,200
Total Non-Current	68,700	78,700	136,900	78,700
Total borrowings	102,062	89,222	193,008	174,376

Maturity analysis and effective interest rate (excluding finance leases)*Commentary / Whakaaro*

Secured loans of the Council are secured by a special rate over the rateable land value of the Invercargill City area provided by the LGFA.

Council also has a \$10 million multi-option facility which expires on 12 November 2022. The undrawn amount of this facility is \$10 million. Subsequent to balance date this facility was renewed.

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 \$101.3 million of bonds and notes (2021: \$88.5 million) 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 held \$100 million of debt which matured in August 2021 and was replaced with a Local Government Funding Agency facility. For 2021 the loan had been reclassified to a current liability due to the change in provider and the facility maturing within 12 months of balance date.

	Council		Group	
	Actual 2022 (\$000)	Actual 2021 (\$000)	Actual 2022 (\$000)	Actual 2021 (\$000)
Less than one year	33,362	10,522	56,108	95,676
Later than one year but no more than five years	68,500	58,500	136,700	58,500
Later than five years	200	20,200	200	20,200

Interest rates on the Council secured loans have an effective interest rate of 2.24% (2021: 1.70%) with hedging refer to Note 19.3. Other Group loans have an effective interest rate of 2.94% (2021: 3.26%) with hedging refer Note 19.3.

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

19.3 Hedging activities and derivatives

Council 2022	Carrying amount (\$000)	Contractual cash flows (\$000)	Maturity dates			Total (\$000)
			< 1 Year (\$000)	1 - 3 Years (\$000)	> 3 Years (\$000)	
Financial assets						
Derivative financial instruments	481	263	39	224	-	263
Total financial assets	481	263	39	224	-	263
Financial liabilities						
Derivative financial instruments	-	-	-	-	-	-
Total financial liabilities	-	-	-	-	-	-

Council 2021	Carrying amount (\$000)	Contractual cash flows (\$000)	Maturity dates			Total (\$000)
			< 1 Year (\$000)	1 - 3 Years (\$000)	> 3 Years (\$000)	
Financial assets						
Derivative financial instruments	-	-	-	-	-	-
Total financial assets	-	-	-	-	-	-
Financial liabilities						
Derivative financial instruments	1,904	2,259	786	980	493	2,259
Total financial liabilities	1,904	2,259	786	980	493	2,259

Group 2022	Carrying amount (\$000)	Contractual cash flows (\$000)	Maturity dates			Total (\$000)
			< 1 Year (\$000)	1 - 3 Years (\$000)	> 3 Years (\$000)	
Financial assets						
Derivative financial instruments	1,124	597	240	463	(106)	597
Total financial assets	1,124	597	240	463	(106)	597
Financial liabilities						
Derivative financial instruments	61	253	253	-	-	253
Total financial liabilities	61	253	253	-	-	253

Group 2021	Carrying amount (\$000)	Contractual cash flows (\$000)	Maturity dates			Total (\$000)
			< 1 Year (\$000)	1 - 3 Years (\$000)	> 3 Years (\$000)	
Financial assets						
Derivative financial instruments	-	-	-	-	-	-
Total financial assets	-	-	-	-	-	-
Financial liabilities						
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

The notional values of interest rate swaps are summarised below:

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Actual 2021 (\$000)
	Liability	Liability	Liability	Liability
Maturity < 1 year	6,000	-	23,000	8,000
Maturity 1-2 years	5,000	6,000	22,500	23,000
Maturity 2-3 years	10,000	5,000	20,000	22,500
Maturity 3-4 years	5,000	10,000	19,000	20,000
Maturity 4-5 years	4,000	5,000	12,000	19,000
Maturity 5-6 years	-	4,000	8,000	12,000
Maturity 6-7 years	-	-	-	-
Maturity 7-10 years	-	-	-	-
	30,000	30,000	104,500	104,500

Derivative financial instruments are carried at fair value based on the prevailing market rates as at valuation date. Any changes in the value of derivative instruments from inception date are included in either the surplus or deficit (for the ineffective portion of cash flow hedges, fair value hedges and any derivative instruments not designated in a hedging relationship) or in net asset / equity (for effective portion of cash flow hedges).

Derivative contracts are primarily entered into to hedge against any exposure to underlying risks associated with the hedged item. The risk management strategy of the Council and Group are discussed in note 19.5 of the financial statements.

Council and Group derivative financial instruments include the following:

Interest rate swaps

Council and Group enter into interest rate swap contracts to hedge their interest rate exposure on outstanding borrowings. The interest rate fluctuation impacts the fair value (for fixed-rated) and cash flow settlement (for floating) relating to the underlying hedged item.

Interest rate swaps contracts are carried at their fair value based on prevailing market interest rates at valuation date.

At 30 June 2022, the Council had interest rate swaps in place with a notional amount of \$30 million (2021: \$30 million) where the Council pays an average fixed interest rate of 3.06 per cent. This interest rate is used to determine the fair value (mark to market) of the swaps at balance date.

The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swaps are identical to the hedged risk components.

There are two types of hedge economic relationships:

- For interest rate swap contracts with the expected highly probable forecast transactions. To test the hedge effectiveness, the Group uses the forecast loan transactions that are highly probable and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks, or
- For interest rate swap contracts with variable rate loans. To test the hedge effectiveness, the Group uses a hypothetical derivative that is a proposed swap and compares the changes in the fair value of the hedging instrument against the changes in the fair value of the hedged item attributable to the hedged risk.

The hedge ineffectiveness can arise from:

- Different interest rate curve applied to discount the hedged item and hedging instrument.
- Differences in the timing of the cash flows of the hedged items and the hedging instruments.
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

The ineffectiveness is recognised in surplus or deficit.

19.4 Classification and fair value of financial instruments

Accounting Policy / Kaupapahere Kaute

Categories of financial assets and liabilities

Financial instruments are classified into one of the following categories:

- Financial assets and liabilities carried at amortised cost,
- Financial assets and liabilities measured at fair value through surplus and deficit,
- Financial assets measured at fair value through other comprehensive revenue and expense.

The classification into each category depends on the nature and management's intention over the financial instruments.

Fair value of financial instruments

Financial instruments carried at fair value in the financial statements are categorised within the fair value hierarchy described below:

- Level 1: the fair value is calculated using quoted prices in active markets.
- Level 2: the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The following methods and assumptions were used to estimate fair value for each class of financial instrument for which it is practicable to estimate such value:

Interest bearing financial assets and liabilities - Fixed rated instruments with quoted market prices are based on the quoted market price as of valuation date (Level 1) and for non-quoted securities, fair values were determined using discounted cash flow based on market observable rates (Level 2). Instruments with floating interest rates approximate fair value because of recent and regular repricing based on market conditions (Level 2).

The fair values of non-interest bearing debt securities and loans are determined using discounted cash flow based on Council's effective cost of borrowing for the year (calculated based on applicable market rate plus Council's credit spread) (Level 2). Foreign-currency denominated debt instruments are valued based on discounted future cash flows using the prevailing foreign exchange rate at valuation date (Level 2).

Derivative financial instruments - The fair values were computed as the present value of estimated future cash flows using market interest rates as at valuation date. The valuation techniques consider various inputs including the credit quality of counterparties (Level 2). The fair value forward exchange rate contracts are determined based on the discounted future cash flow using the market currency exchange and interest rates between the New Zealand dollar and relevant foreign currency at valuation date.

Fair value measurement

	Council 2022			Total (\$000)
	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)	
Assets at fair value				
Derivatives	-	481	-	481
Biological assets	-	-	3,848	3,848
Network assets	-	-	881,289	881,289
Investment property	-	-	26,761	26,761
Land and buildings	-	-	136,691	136,691
Library books	-	-	4,379	4,379
Total assets at fair value	-	481	1,052,968	1,053,449
Liabilities at fair value				
Derivatives	-	-	-	-
Total liabilities at fair value	-	-	-	-

	Council 2021			Total (\$000)
	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)	
Assets at fair value				
Biological assets	-	-	4,022	4,022
Network 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

	Group 2022			Total (\$000)
	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)	
Assets at fair value				
Derivatives	-	1,124	-	1,124
Biological assets	-	-	3,848	3,848
Network assets	-	-	978,602	978,602
Investment property	-	-	32,266	32,266
Land and buildings	-	-	139,154	139,154
Library books	-	-	4,379	4,379
Advances to Associates	-	-	2,293	2,293
Total assets at fair value	-	1,124	1,160,542	1,161,666
Liabilities at fair value				
Derivatives	-	61	-	61
Total liabilities at fair value	-	61	-	61

	Group 2021 (restated)			Total (\$000)
	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)	
Assets at fair value				
Biological assets	-	-	4,022	4,022
Network assets	-	-	809,794	809,794
Investment property	-	-	33,283	33,283
Land and buildings	-	-	97,189	97,189
Library books	-	-	3,368	3,368
Advances to Associates	-	-	3,338	3,338
Total assets at fair value	-	-	950,994	950,994
Liabilities at fair value				
Derivatives	-	6,284	-	6,284
Total liabilities at fair value	-	6,284	-	6,284

The table below summarises the reconciliation of movements in the Level 3 financial instruments:

	Council	Council	Group	Group
	Actual 2022 (\$000)	Actual 2021 (\$000)	Actual 2022 (\$000)	Group Restated Actual 2021 (\$000)
Level 3 fair value measurements				
Balance at beginning of the year	848,859	865,198	950,994	986,854
Unrealised net change in value of assets	(668)	3,967	4,771	15,487
Purchases	20,817	18,500	20,817	18,500
Sales	(4,099)	(2,131)	(4,099)	(33,172)
Reclassified from other asset categories	651,653	(9,980)	651,653	(9,980)
Depreciation and impairment	(463,595)	(26,695)	(463,595)	(26,695)
Balance at end of the year	1,052,968	848,859	1,160,542	950,994

Commentary / Whakaaro

Due to the short-term nature of the transactions, the fair value of cash and cash equivalents, short-term investments, trade and other receivables, accounts payable, accrued expenses and other current liabilities and dividends payable approximate their carrying values as at the end of the reporting period.

19.5 Financial risk management

Risk Management Policy / Kaupapahere Whakahaere Risk

Financial risk management objectives

The Council and Group have a series of policies to manage the risk associated with financial instruments.

The Council and Group do not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Group's policies, which provide written principles on the use of financial derivatives.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, and the basis of measurement applied in respect of each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies to the financial statements.

Financial risks

The risks associated with the financial assets and liabilities of the Council and Group include market risk, liquidity risk and credit risk.

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 Council and group are exposed to credit risk through loan investments. Should there be events which lead to a change in the credit quality of the loans including but not limited to increases in interest rates it will be necessary to consider whether the loans are impaired or not. At 30 June 2022 no loan investments were considered to be impaired.

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 19.5(b).

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk, and other price risk.

Interest rate risk

Fair value interest rate risk is the risk that the fair value of a fixed debt instrument or future cash flow of a floating debt instrument will fluctuate due to changes in the underlying market interest rate.

The Council and the Group are exposed to interest rate risk as they borrow funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and forward interest rate contracts.

In addition, investments at fixed interest rates expose the Council and Group to fair value interest rate risk

The interest rates on Council's borrowings are disclosed in note 19.2.

Currency risk

Currency risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Council is not exposed to foreign currency risk and under normal circumstances has no exposure to hedge.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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.

Commodity price and demand risk

Within the Group some operations can be significantly impacted by fluctuations in commodity prices and international demand for certain products. Any residual risk is not considered material to the Group.

19.5(a) Interest rate risk management

The following tables summarise the Council's and Group's interest rate re-pricing analysis with respect to its financial assets and liabilities subject to interest rate risk:

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	Fixed and variable interest rates
Derivative financial instruments (interest rate swaps)	Variable interest rates

Commentary / Whakaaro

Council and Group have entered into interest rate swap contracts to hedge against the risk due to interest rate fluctuations. The notional amount and maturities of interest rate swap contracts are presented in note 19.3 of the financial statements.

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	
	2022	2021	2022	2021
	%	%	%	%
Effectiveness	100	100	100	100

Sensitivity analysis on financial instruments**Investments:**

If interest rates on investments at 30 June, 2022 had fluctuated by plus or minus 1%, (2021: 0.5%) the effect would have been to decrease/increase the surplus after tax by \$210,111 (2021: \$162,384).

Borrowings:

If interest rates on borrowings at 30 June, 2022 had fluctuated by plus or minus 1%, (2021: 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 \$300,000 (2021: \$162,384) and for Invercargill City Holdings Limited \$227,870 (2021: \$143,022).

Cash and cash equivalents:

Cash and cash equivalents included deposits at call which are at floating interest rates. Sensitivity to a 1% (2021: 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 1% (2021: 0.5%) movement in rates is as follows and affects the equity balance of the Group Interest rate sensitivity analysis

Interest rate swaps	Carrying amount Year 2022 (\$000)	Equity change	
		1% (\$000)	-1% (\$000)
Council	(481)	815	(356)
Invercargill City Holdings Limited	(582)	1,308	(1,360)
	<u>(1,063)</u>	<u>2,123</u>	<u>(1,716)</u>

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

19.5(b) Liquidity risk management

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

In meeting its liquidity requirements, the Council and Group manages its investments and borrowings in accordance with its written investment policies. In general the Council and Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has funding arrangements in place to cover potential shortfalls.

The Council and Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Commentary / Whakaaro

The Council is exposed to liquidity risk as a guarantor of all of LGFA borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. The exposure relating to the guarantee is classified as a contingent liability by the Council and is explained further in note 23.

The table below summarises the maturity profile of the Group's financial assets and liabilities based on contractual undiscounted payments.

Council 2022	Carrying amount (\$000)	Contractual cash flows (\$000)	Maturity dates			Total (\$000)
			< 1 Year (\$000)	1 - 3 Years (\$000)	> 3 Years (\$000)	
Financial assets						
Cash, cash equivalents and bank overdrafts	18,596	18,596	18,596	-	-	18,596
Receivables	13,341	13,341	13,341	-	-	13,341
Equity share investments	1,120	1,120	-	-	1,120	1,120
Short term investments	24,960	24,960	24,960	-	-	24,960
Other investments	14,157	15,185	620	13,628	937	15,185
Total financial assets	72,174	73,202	57,517	13,628	2,057	73,202
Financial liabilities						
Trade and other payables	15,309	15,309	15,309	-	-	15,309
Borrowings - secured loans	102,062	107,682	34,970	32,264	40,448	107,682
Total financial liabilities	117,371	122,991	50,279	32,264	40,448	122,991

Group 2022	Carrying amount (\$000)	Contractual cash flows (\$000)	Maturity dates			Total (\$000)
			< 1 Year (\$000)	1 - 3 Years (\$000)	> 3 Years (\$000)	
Financial assets						
Cash, cash equivalents and bank overdrafts	24,352	24,352	24,352	-	-	24,352
Receivables	15,771	15,771	15,771	-	-	15,771
Equity share investments	1,120	1,120	-	-	1,120	1,120
Short term investments	24,960	24,960	24,960	-	-	24,960
Other investments	15,980	17,008	620	13,628	2,760	17,008
Total financial assets	82,183	83,211	65,703	13,628	3,880	83,211
Financial liabilities						
Trade and other payables	19,328	19,328	19,328	-	-	19,328
Borrowings - secured loans	193,008	203,504	59,381	103,675	40,448	203,504
Total financial liabilities	212,336	222,832	78,709	103,675	40,448	222,832

Council 2021	Carrying amount (\$000)	Contractual cash flows (\$000)	Maturity dates			Total (\$000)
			< 1 Year (\$000)	1 - 3 Years (\$000)	> 3 Years (\$000)	
Financial assets						
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 investments	35,533	35,533	35,373	-	160	35,533
Other investments	17,881	17,881	-	-	17,881	17,881
Total financial assets	82,571	82,571	63,422	-	19,149	82,571
Financial liabilities						
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
Total financial liabilities	107,198	107,198	28,498	58,500	20,200	107,198

Group 2021	Carrying amount (\$000)	Contractual cash flows (\$000)	Maturity dates			Total (\$000)
			< 1 Year (\$000)	1 - 3 Years (\$000)	> 3 Years (\$000)	
Financial assets						
Cash, cash equivalents and bank overdrafts	25,896	25,896	25,896	-	-	25,896
Receivables	14,519	14,519	14,519	-	-	14,519
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
Total financial assets	94,937	94,937	75,788	-	19,149	94,937
Financial liabilities						
Trade and other payables	21,920	21,920	21,920	-	-	21,920
Borrowings - secured loans	191,153	191,434	112,734	58,500	20,200	191,434
Total financial liabilities	213,073	213,354	134,654	58,500	20,200	213,354

20 Provisions

*Accounting Policy / Kaupapahere Kaute***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.

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Actual 2021 (\$000)
Landfill aftercare provision				
Balance 1 July	928	928	928	1,928
Amounts used during the year	-	-	-	(1,000)
Balance at 30 June	928	928	928	928
Current	112	112	112	112
Non-current	816	816	816	816
Total provisions	928	928	928	928

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

Closure responsibilities

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

Post-closure responsibilities

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

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

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

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

21 Employee benefit liabilities

*Accounting Policy / Kaupapahere Kaute***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.

	Council Actual 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Actual 2021 (\$000)
Accrued pay	942	705	942	705
Annual leave	1,763	1,661	1,890	1,785
Long service leave	278	298	278	298
Retirement gratuities	724	789	724	789
	3,707	3,453	3,834	3,577
Current	3,682	2,601	3,809	2,725
Non-current	25	852	25	852
Total employee benefit liabilities	3,707	3,453	3,834	3,577

*Commentary / Whakaaro***Employee Entitlements**

Annual leave, long service and some retirement gratuities are classified as current liability. 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.

22 Equity

	Council	Council	Group	Group
	Actual	Actual	Actual	Restated
	2022	2021	2022	2021
	(\$000)	(\$000)	(\$000)	(\$000)
Retained earnings				
As at 1 July	376,475	366,796	456,501	440,460
Transfers to:				
Restricted and non-restricted reserves	(38,225)	(38,343)	(38,225)	(38,343)
Transfers from:				
Restricted and non-restricted reserves	53,334	43,633	53,334	43,633
Transfer of revaluation reserve to retained earnings	-	-	25	5,400
Surplus/(Deficit) for the year	6,589	4,389	5,129	5,351
As at 30 June	398,173	376,475	476,764	456,501
Restricted and non-restricted reserves				
As at 1 July	44,887	50,177	44,887	50,177
Transfers to retained earnings	(53,334)	(43,633)	(53,334)	(43,633)
Transfers from retained earnings	38,225	38,343	38,225	38,343
As at 30 June	29,778	44,887	29,778	44,887
Hedging reserve				
As at 1 July	(1,904)	(3,493)	(5,059)	(8,892)
Other comprehensive revenue and expenses:				
Effective portion of changes in fair value of cash flow hedges	2,385	1,589	5,958	3,833
As at 30 June	481	(1,904)	899	(5,059)
Carbon credit revaluation reserve				
As at 1 July	1,182	815	1,182	2,082
Other comprehensive revenue and expenses:				
Change in fair value of carbon credits	1,047	367	1,047	367
Disposal of carbon credits	-	-	-	(1,267)
As at 30 June	2,229	1,182	2,229	1,182
Asset revaluation reserve				
As at 1 July	500,136	500,136	536,454	535,803
Other comprehensive revenue and expenses:				
Revaluation gains/(losses)	215,177	-	215,043	4,784
Transfer of revaluation reserve to retained earnings due to asset disposal	-	-	(25)	(4,133)
As at 30 June	715,313	500,136	751,472	536,454
Asset revaluation reserves consist of:				
Land and buildings	109,378	65,536	114,339	70,580
Library books	9,624	8,373	9,624	8,373
Infrastructural assets	596,261	426,227	627,460	457,501
Total asset revaluation reserve	715,263	500,136	751,423	536,454
Total other reserves	747,801	544,301	784,378	577,464

	Council Actual 2022			Closing Balance (\$000)
	Opening Balance (\$000)	Transfers In (\$000)	Transfers Out (\$000)	
Restricted reserves				
The reserves can only be used for designated purposes.				
<u>Category A (Legal restriction)</u>	95	3	-	98
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.				
<u>Category B (Capital-only restriction)</u>	4,779	7,604	-	12,383
These reserves are invested in property that provides a return to ratepayers.				
(Investment property, library and infrastructure activities)				
<u>Category C (Specific purpose)</u>	12,253	414	(146)	12,521
These reserves are to maintain and provide for improvements to separately identifiable areas.				
(Parks, crematorium and cemetery, community centres, waste and infrastructure activities)				
Non-restricted reserves				
The reserves can be used for purposes other than the purpose currently specified				
Council created reserves	27,760	30,204	(53,188)	4,776
To provide funding for the ongoing operations and replacement of assets in the future.				
(All activities)				
	<u>44,887</u>	<u>38,225</u>	<u>(53,334)</u>	<u>29,778</u>

	Council Actual 2021			Closing Balance (\$000)
	Opening Balance (\$000)	Transfers In (\$000)	Transfers Out (\$000)	
Restricted reserves				
The reserves can only be used for designated purposes.				
<u>Category A (Legal restriction)</u>	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.				
<u>Category B (Capital-only restriction)</u>	4,716	63	-	4,779
These reserves are invested in property that provides a return to ratepayers. (Investment property, library and infrastructure activities)				
<u>Category C (Specific purpose)</u>	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)				
Non-restricted reserves				
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

23 Contingent liabilities and assets

23.1 Contingent liabilities

New Zealand Local Government Funding Agency

Council is a borrower and guarantor of the New Zealand Local Government Funding Agency Limited (LGFA). LGFA was incorporated in December 2011 for the purpose of providing debt funding to local authorities in New Zealand, LGFA has a current credit rating from Standard and Poor's of AAA as at 2 March 2022.

The Council is one of 68 (2021: 63) 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 million is available in the event that an imminent default is identified. The LGFA's loans to local authorities are \$15.79 billion (2021: \$13.61 billion), of which Council has borrowed \$81.3 million (2021: \$68.5 million). As a result, the Council and Group's cross guarantee to other local authorities is \$15.70 billion (2021: \$13.54 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

20 Spey Street property

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

Forestry

Council has harvested a total of 251.8 hectares of pre 1990 forest. Of this harvested land, 15.9 (2021: 49.6) hectares has not yet been replanted at 30 June 2022 and carries a potential deforestation liability of \$1,115,087 (2021:\$1,657,885) if the land is not replanted. It is Council's intention that these harvested areas will be re-established to ensure that there will be no obligation to surrender units.

Asbestos

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.

Group contingent liabilities

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 principal agreement to transfer the asset to the Council. Council through the Invercargill City Charitable 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.

23.2 Contingent assets

There were no contingent assets as at 30 June 2022 (2021: Nil).

24. Cash flow reconciliations

24.1. Reconciliation of surplus for the period to net cash flows from operating activities

	Council	Council	Group	Group
	Actual	Actual	Actual	Restated
	2022	2021	2022	2021
	(\$000)	(\$000)	(\$000)	(\$000)
Net surplus/(deficit) after taxation	6,589	4,389	5,129	5,351
Add non-cash items:				
Depreciation and amortisation of intangibles	29,219	28,594	36,386	35,363
(Gain)/Loss on sale of assets	(1,184)	(1,131)	(1,085)	(1,131)
(Gain)/Loss on revaluation of assets	-	-	-	-
Change in fair value of biological assets	38	(555)	38	(555)
Change in fair value of investment property	630	(3,412)	295	(4,382)
Change in fair value of investments	(12)	(12)	(12)	(12)
Change in fair value of intangible assets				
Changes in advances to associates and joint ventures			(204)	(3,338)
Increase/(Decrease) in deferred taxation	-	-	389	(349)
Impairment of property, plant and equipment	-	-	-	-
Biological assets - Cost of goods sold	136	151	136	151
Associate and Joint Venture post-acquisition profits	-	-	(4,993)	(4,041)
Impairment of trade receivables	-	-	-	-
	35,416	28,024	36,079	27,057
Add/(Less) movements in other working capital items:				
(Increase)/Decrease in stock, receivables and WIP	(763)	240	280	131
Increase/(Decrease) in sundry creditors	(2,413)	7,554	(3,388)	4,184
(Increase)/Decrease in GST and taxation	(3,214)	(2,847)	(2,540)	(2,847)
	(6,390)	4,947	(5,648)	1,468
Net cash from operating activities	29,026	32,971	30,431	28,525

* The prior period comparative numbers have been restated as set out in Note 1.1.

24.2 Reconciliation of movement in financial liabilities to net cash flows from financing activities

Changes to the PBE IPSAS 2 – Cash Flows accounting standard introduced the reconciliation of movement in financial liabilities to net cash flows from financing activities from 2022. The prior year information (2021) is also included in line with the requirements for the adoption of the standard.

	Council		Group	
	Borrowings from external parties (\$000)	Derivative Instruments - liability (\$000)	Borrowings from external parties (\$000)	Derivative Instruments - liability (\$000)
Balance as at 1 July 2020	125,515	3,493	211,532	10,989
Add/(less) cash items liabilities arising from financing activities:				
Proceeds	-	-	31,500	-
Repayments	(36,293)	-	(68,693)	-
Add/(less) non-cash items:				
Movement in year end accrued interest	-	-	37	-
Cash Flow hedges	-	(1,589)	-	(4,705)
Balance as at 30 June 2021	89,222	1,904	174,376	6,284
Add/(less) cash items liabilities arising from financing activities:				
Proceeds	22,840	-	112,940	-
Repayments	(10,000)	-	(94,550)	-
Add/(less) non-cash items:				
Movement in year end accrued interest	-	-	242	-
Cash Flow hedges	-	(2,385)	-	(5,160)
Balance as at 30 June 2022	102,062	(481)	193,008	1,124

25 Related parties

Accounting Policy / Kaupapahere Kaute

Council is the ultimate parent of the Group. Details of subsidiaries and associates over which Council has significant influence, are set out on in the Group structure on page 78.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it 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.

Related Party Transactions required to be disclosed include provision of services, grants, non-standard commercial contracts and intercompany taxation activity.

25.1 Provision of accounting / administration services

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

	2022		2021	
	Services to Related Parties (\$000)	30 June Balance (\$000)	Services to Related Parties (\$000)	30 June Balance (\$000)
Invercargill City Holdings Limited	520	-	324	-
Invercargill City Forests Limited (removed August 2021)	-	-	13	-
Invercargill Airport Limited	66	-	70	-
Invercargill City Charitable Trust	2	-	6	-
Southland Museum and Art Gallery	1,680	16	2,196	20
Invercargill Central Limited	317	119	876	35
Southland Regional Heritage Committee	-	-	2	-
PowerNet Limited	0	-	10	2
Invercargill Public Art Gallery Inc	-	-	202	201

25.2 Grants

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

	Actual 2022 (\$000)	Actual 2021 (\$000)	Reason for non-arm's length
Emergency Management Southland	392	337	Non-contestable funding
Southland Indoor Leisure Centre Charitable Trust	700	700	Non-contestable funding
Southland Museum and Art Gallery Trust	20	997	Non-contestable funding
Southland Regional Heritage Committee	1,009	956	Non-contestable funding
Southland Regional Development Agency Limited trading as Great South	1,665	1,638	Non-contestable funding
Invercargill Public Art Gallery	314	253	Non-contestable funding

25.3 Other commercial contracts

The Council has a contract with the Wastenet Joint Committee for waste collection and management. In 2021/22 the Council paid \$7.5 million (2020/21:\$6.3 million) to Wastenet and at year end \$0.6 million (2021:\$0.5 million) was outstanding.

Council has provided Invercargill Central Limited \$12.8 million of funding as at 30 June 2022 at commercial rate of interest.

25.4 Subventions

In the 2022 financial year, Council transferred losses of \$0.896 million as a result of the final Council tax position for the 2021 tax year (2021: \$5.299 million). This comprised a loss offset of \$0.645 million and a subvention payment of \$0.251 million to other group companies.

25.5 Key management personnel

Details of transactions between Council and key management personnel are disclosed as part of Note 27 Remuneration.

At 30 June 2022 Sir Tim Shadbolt had an account with Council that had a balance owing to Council of \$106 (2021: \$135 owing to Sir Tim Shadbolt).

26 Major budget variations (Council only)

Statement of Comprehensive Revenue and Expense - Council					Variance to	Variance to
		Actual	Budget	Actual	Budget	Actual
		2022	2022	2021	2022	2021
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Revenue						
Rates revenue	1	61,313	59,833	57,573	1,480	3,740
Fines	2	503	606	538	(103)	(35)
Subsidies and grants	3	23,532	16,952	12,392	6,580	11,140
Direct charges revenue	4	24,481	23,347	27,226	1,134	(2,745)
Rental revenue	5	3,009	3,847	2,794	(838)	215
Finance revenue	6	687	182	1,507	505	(820)
Dividends	7	4,886	4,984	4,886	(98)	-
Subvention payments received		251	-	1,492	251	(1,241)
Expenditure						
Employee expenses	8	27,875	27,237	24,884	638	2,991
Depreciation and amortisation		29,219	28,233	28,594	986	625
General expenses	9	53,880	50,075	52,884	3,805	996
Finance expenses	10	1,627	2,247	2,767	(620)	(1,140)
Other gains/(losses)	11	528	1,589	5,110	(1,061)	(4,582)
Other comprehensive revenue						
Property, plant and equipment revaluation	12	215,177	85,053	-	130,124	215,177
Carbon credit revaluation gains/(losses)		1,047	-	367	1,047	680
Cash flow hedges		2,385	-	1,589	2,385	796
Total Comprehensive Revenue and Expense		225,198	88,601	6,345	136,597	218,853

2022 Variance analysis against 2022 Budget

- 1 Rates revenue is higher than budget due to a greater than expected growth above the projected rating base.
- 2 Fines income is lower than budget, principally due to decreased parking fines. An educational approach was taken when new meters were introduced around the city and the number of meters available were also reduced due to city centre streetscape work in Don and Esk Streets.
- 3 Subsidies and grant income is higher than budget due to additional funding from the government to subsidise various capital projects in the three waters activities. This funding is one off and includes projects like the Stead Street Stop Bank upgrade and Branxholme pipe line. Part of the funding was received up front last year and can now be recognised as revenue as the conditions of the subsidy have been met.
- 4 Direct charges revenue was higher than budget due to increased waste revenue, timber sales and higher user fees income reflecting a greater uptake of Council services than expected.
- 5 Rental revenue was less than budget mainly due to the Covid restrictions reducing the demand for renting Parks facilities and the Crematorium.
- 6 Finance revenue is higher than budget with a loan advance being issued to ICL generating additional interest revenue and interest rates on term deposits were higher than budgeted.
- 7 Dividends received are less than budget, due to a lower dividend payment from Invercargill City Holdings Limited.
- 8 Employee expenses are higher than budget due to lower vacancies during the year than the budget assumption of 90% of roles filled.

- 9 General expenses are higher than budget due to higher waste charges incurred from higher volumes of waste received.
- 10 Finance expenses are lower than budget due to the average level of Council borrowing in 2022 was maintained lower for longer.
- 11 Other gains/(losses) are lower than budget due to the revaluation of Council's Investment Property and Biological Assets being lower than the budget assumption.
- 12 Property, plant and equipment revaluation is higher than budget due to higher inflation and material price increases than expected

2022 Variance analysis against 2021 Actuals

- 1 Rates revenue is higher than 2021 due to an overall rates increase of 5.00% on existing ratepayers plus a greater than expected growth above the projected rating base.
- 3 Subsidies and grant income is higher than 2021 due to additional funding from the government to subsidise various capital projects in the three waters activities. This funding is a one off and includes projects like Stead Street Stop Bank upgrade and Branxholme pipe line. Part of the funding was received up front last year and can now be recognised as revenue as the conditions of the subsidy have been met.
- 4 Direct charges revenue was lower than 2021, which can be attributed to the impact from Covid restrictions on various Council services. This included lower use of Public transport and lower admissions to Council venues.
- 5 Rental revenue is higher than 2021 due to an increase in rental rates on Council properties.
- 6 Finance revenue is lower than 2021 due to no interest received from ICHL as loan advance was repaid in 2021.
- 8 Employee expenses are higher than 2021 due to higher vacancies filled than the previous year and additional positions added to staffing structure.
- 9 General expenses are higher than 2021 as increased waste charges incurred from receiving higher volumes of waste.
- 10 Finance expenses are lower than 2021 due to the average level of Council borrowing in 2022 was lower than in 2021.
- 11 Other gains/ (losses) are lower than 2021 due to lower revaluation value of Council's Investment Property and Biological Assets.
- 12 There was no Property, plant and equipment revaluation undertaken in 2021.

Statement of Financial Position - Council				Variance to	Variance to	
	Actual	Budget	Actual	Budget	Actual	
	2022	2022	2021	2022	2021	
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	
Current assets						
Cash and cash equivalents	1	18,596	6,505	16,673	12,091	1,923
Receivables	2	13,341	11,328	11,376	2,013	1,965
Prepayments		1,279	461	1,063	818	216
Inventories		480	825	733	(345)	(253)
Non-current assets held for resale	11	-	-	9,980	-	(9,980)
Other financial assets	3	24,960	29,083	35,533	(4,123)	(10,573)
Non-current assets						
Work in progress	4	36,111	-	8,692	36,111	27,419
Property, plant and equipment	5	1,047,098	966,449	838,913	80,649	208,185
Intangible assets		3,179	2,020	2,429	1,159	750
Forestry assets	6	3,848	3,838	4,022	10	(174)
Investment property	7	26,761	44,430	28,113	(17,669)	(1,352)
Investment in CCOs and similar entities		76,569	76,569	76,569	-	-
Other financial assets	3	15,277	9,695	2,212	5,582	13,065
Other financial assets - Derivative financial	8	481	-	-	481	481
Current liabilities						
Trade and other payables	9	15,309	13,937	20,025	1,372	(4,716)
Provisions		112	112	112	-	-
Employee benefit liabilities		3,682	2,877	2,601	805	1,081
Borrowings	10	33,362	50,096	10,522	(16,734)	22,840
Non-current liabilities						
Provisions		816	816	816	-	-
Employee benefit liabilities		25	1,160	852	(1,135)	(827)
Borrowings	10	68,700	75,144	78,700	(6,444)	(10,000)
Derivative financial instruments	8	-	3,493	1,904	(3,493)	(1,904)
Equity						
Retained earnings		398,173	386,248	376,475	11,925	21,698
Other reserves		747,801	617,320	544,301	130,481	203,500
Total equity		1,145,974	1,003,568	920,776	142,406	225,198

2022 Variance against 2022 Budget

- 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.
- Receivables are higher than budget due to the GST balance at June 2022 being a refund owing to Council and therefore is shown as a receivable compared to an expected Trade and other payables
- Other financial assets are higher than budget due to Council lending a short term loan to ICL. This has been offset by the withdrawal of short term investments to fund the capital programme.
- Work in progress budget is included within the Property, plant and equipment
- Property, plant and equipment are higher than budget due to the 3 yearly asset revaluation being significantly higher than was anticipated.

- 6 Forestry assets are higher than budget due to the 2022 annual revaluation being greater than anticipated. These valuations were provided by independent valuers, Margules Groome Consulting Ltd.
- 7 Investment property is lower than budget due to two major assets being sold after balance date and were reclassified as non-current assets held for resale in 2021. The properties sold are the Esk Street West buildings and the Awarua Farm.
- 8 Derivative financial instruments are now an asset due to changes to the value of the contractual undiscounted cash flows of the financial instruments
- 9 Trade and other payables are higher than budget due to timing differences of larger contractor payments which have been accrued in June 2022, these relate to increased capital works still being held in Work in Progress.
- 10 Total borrowings are less than budget due to Council using term deposit investment funds to pay for capital projects rather than the use of borrowings.

2022 Variance against 2021 Actuals

- 1 Cash and cash equivalents are higher than 2021 due to the maturity profile of Council's investments resulting in some short term deposits being reclassified as cash and cash equivalents.
- 2 Receivables are higher than 2021 due to the GST balance at June 2022 being a refund owing to Council and therefore is shown as a receivable.
- 3 Other financial assets are less than 2021 due to short term deposit investments being withdrawn to fund the capital programme.
- 4 Work in Progress is higher than 2021 due to an increased number of projects in progress, namely the Streetscapes for the City Centre block, Stead Street Stop bank and Branxholme pipeline work which have started but not completed at balance date.
- 5 Property, plant and equipment are higher than 2021 due to the 3 yearly asset revaluation being significantly higher than was anticipated.
- 6 Forestry assets are lower than 2021 because of the annual revaluation being a positive amount. These valuations are provided by independent valuers, Margules Groome Consulting Ltd.
- 7 The value of Investment property is lower than 2021 due to the transfer of properties from investment property to Property, Plant & Equipment due to their use within the 3 waters activities.
- 8 Derivative financial instruments are now an asset due to changes to the value of the contractual undiscounted cash flows of the financial instruments
- 9 Trade and other payables are lower than 2021 due to the GST balance at June 2022 being a refund owing to Council and therefore is shown as a receivable. Additionally, there has been a decrease of Income in Advance held in respect of the 3 Waters incentive and Shovel Ready projects funding as the conditions of the subsidy have been met.
- 10 Total borrowings are more than 2021 due to increased borrowings uplifted to loan to ICL for the city centre development.
- 11 Non-current assets held for resale are lower than 2021 due to some investment properties in Esk Street West and Awarua being identified as assets available for resale. These properties were sold in 2022.

The above comments have only focused on major variances.

27 Remuneration

Accounting Policy / Kaupapahere Kaute

Section 31 of Schedule 8 of the Local Government Act 202 requires the disclosure of the remuneration of the mayor, chairpersons, members and chief executive of local authorities. The Chief Executive Officer of the Council is appointed in accordance with section 42 of the Local Government Act 2002.

27.1 Key management personnel

Accounting Policy / Kaupapahere Kaute

Key management personnel of the Council include, the Chief Executive, Elected members and Executive Leadership Team.

	Council Actual 2022 \$	Council Actual 2021 \$	Group Actual 2022 \$	Group Actual 2021 \$
Short-term employee benefits	2,427,638	2,394,988	2,795,638	2,740,988
Vehicle (market value plus FBT)	34,616	51,069	34,616	51,069
Retirement benefits	51,191	41,050	51,191	41,050
Directors' fees	-	-	492,000	452,000
Total remuneration	2,513,445	2,487,107	3,373,445	3,285,107

	Council Actual 2022	Council Actual 2021	Group Actual 2022	Group Actual 2021
Number of persons recognised as key management personnel				
Elected members or directors	18	19	35	36
Executive Leadership Team (including the Chief Executive)	9	10	9	10
Total key management personnel	27	29	44	46

Commentary / Whakaaro

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 (2021: \$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 (2021: \$Nil).

The Council did not provide any loans to key management personnel or their close family members (2021: \$Nil).

The Council appointed two External Appointees to support elected members during 2020/2021. The appointees, Jeff Grant and Lindsay McKenzie are not considered key management personnel nor are they considered elected members.

27.2 Chief Executive

Accounting Policy / Kaupapahere Kaute

The Chief Executive Officer of the Council is appointed in accordance with section 42 of the Local Government Act 2002.

The total cost to the Council of the remuneration package paid or payable to the Chief Executive, as per the above, for the year to 30 June 2022 was:

	Council Actual 2022 \$	Council Actual 2021 \$
C V Hadley (appointed March 2018) - Chief Executive		
Short-term employee benefits	349,038	308,538
Vehicle (market value plus FBT)	20,215	12,745
Retirement benefits	10,471	9,256
	379,724	330,539

Commentary / Whakaaro

During 2022 the Chief Executive did not forgo remuneration. In 2021 the Chief Executive forwent \$24,000 of remuneration over a six month period as a reflection 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.

27.3 Executive Leadership Team

	Council Actual 2022 \$	Council Actual 2021 \$
Short-term employee benefits	1,357,318	1,425,304
Vehicle (market value plus FBT)	-	23,923
Retirement benefits	40,720	31,794
	1,398,038	1,481,021

27.4 Elected members and Mana Whenua representatives – Council

Accounting Policy / Kaupapahere Kaute

The Remuneration Authority determines the remuneration, allowances and expenses payable to mayors, deputy mayors, members of local authorities plus chairpersons and members of community boards. Refer Schedule 7 of the Local Government Act 2002. The remuneration of Mana Whenua representatives is determined by Council.

	Council Actual 2022 \$	Council Actual 2021 \$
Sir T R Shadbolt (Mayor)		
Short-term employee benefits	132,805	129,143
Vehicle (FBT)	14,401	14,401
	147,206	143,544

Commentary / Whakaaro

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

	Council Actual 2022 \$	Council Actual 2021 \$
Councillors		
W S Clark (Deputy Mayor)	56,104	50,490
R L Abbott	39,084	39,622
R R Amundsen	44,626	45,865
A J Arnold	39,084	39,622
T M Biddle (resigned October 2020)	-	18,604
A H Crackett	43,105	43,486
P W Kett	39,084	39,622
G D Lewis	39,084	39,622
D J Ludlow	48,746	49,283
M Lush (appointed February 2021)	39,127	12,845
I R Pottinger	48,746	49,181
N D Skelt	39,084	39,622
L F Soper	39,039	38,438
	514,913	506,302

	Council Actual 2022 \$	Council Actual 2021 \$
Bluff Community Board:		
R J C Fife	8,693	8,567
G V Henderson	4,346	4,284
G A Laidlaw	4,346	4,284
N J Peterson	4,346	4,284
T M Topi	4,346	4,284
	26,077	25,703
Total elected representatives' remuneration	688,196	675,549

Commentary / Whakaaro

Evelyn Cook and Pania Coote were appointed as Mana Whenua representatives by Te Rūnanga o Awarua and Waihōpai Rūnaka. Their total remuneration was \$49,009.

See Note 25 Related Parties for detail on transactions between Council and elected members and key management personnel that were not at arm's length.

27.5 Council employees

Total Remuneration by band for employees at 30 June:

	<u>Actual 2022</u>
< \$60,000	235
\$60,000 - \$79,999	104
\$80,000 - \$99,999	28
\$100,000 - \$119,999	19
\$120,000 - \$139,999	13
\$140,000 - \$159,999	5
\$160,000 - \$189,999	5
\$190,000 - \$253,999	5
\$254,000 - \$390,999	1
	415
	<u>Actual 2021</u>
< \$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
	465

Commentary / Whakaaro

At balance date, the Council employed 276 (2021: 267) full time employees with the balance of employees representing 65 (2021: 64) full-time equivalent employees. An employee is a full-time employee if they normally work 40 hours or more per working week.

Total remuneration includes non-financial benefits to employees.

28 Capital management

The Council's capital (equity or ratepayer's funds), comprises 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.

Intergenerational equity

The Council's objective is to manage the balance between rating (for funds) and borrowing 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 but does not expect them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, Council has in place asset management plans for the renewal and maintenance programmes of major classes of assets 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 LTP and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. The Act also sets out factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and level of funding are set out in the funding and financial policies of the Long Term Plan.

29 Subsequent events

For Group the official cash rate (OCR) has increased 2.75% since 30 June 2022 (from 2% to 4.75%), due to higher than expected inflation. These OCR increases are being priced into market interest rates, including swap rates that affect interest rate swaps. This has caused a material change in the interest rate swap fair values from 30 June 2022 by increasing the derivative financial instruments asset that Council and Group holds a number of interest rate swaps below current market interest rates.

In July 2022 the final transfer of funds from the Invercargill Community Recreation and Sports Trust (ICRST) to Active Southland was made (\$76.44) and \$69.78 was transferred to Creative NZ Community Fund held with Council. The bank accounts relating to ICRST were then closed. The Trust was removed from the Charities register on the 29 June 2022.

In February 2023 Sir Tim Shadbolt settled his indemnity claim against Council and Riskpool. The Council and Riskpool have not accepted liability, but have agreed to a resolution that is confidential to the parties. Sir Tim is satisfied with this resolution and has agreed to discontinue his proceedings.

30 COVID-19 Disclosure

Council:

The on-going impacts of the Covid-19 pandemic have impacted the Council's operations during the year, including reduced capacity at venues and facilities. The ongoing impacts on the New Zealand and global economies continues to put pressure on capital delivery and the cost of goods and services.

Invercargill City Holding Limited (ICHL):

COVID-19 had no significant impact on the business.

Invercargill Airport Limited (IAL):

The Covid-19 pandemic continues to cause widespread economic and social disruption around the World. The Company continues to monitor the risks and ongoing impacts from Covid-19 on the business.

Electricity Invercargill Limited Group (EIL):

As electricity and generation business, the Group is deemed to be an essential service provider and 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.

Invercargill City Property Limited (ICPL):

COVID-19 had no significant impact on the business.

31 Critical judgements, estimates and assumptions in applying Council's accounting policies

Accounting Policy / Kaupapahere Kaute

Council

Preparing financial statements to conform to PBE IPSAS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates and assumptions have formed the basis for making judgements about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognised in the period if the change affects only that period, or in future periods if it also affects future periods.

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

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

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 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 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 Council's asset management planning activities, which gives Council further assurance over its useful life estimates. Experienced independent valuers review the Council's infrastructural asset revaluations.

Land and Buildings

There are a number of assumptions and estimates used when valuing the assets on a fair value basis in accordance with PBE IPSAS 17. Where relevant fair value was determined under a highest and best use scenario.

Three approaches were used to provide fair value parameters; direct sales comparison approach, income approach or in the situation where the asset is specialised and no market evidence exists the optimised depreciated replacement cost (ODRC) approach.

- The Direct Sales Comparison approach is an estimate of value based on a comparison of the asset to similar assets that have recently sold. Adjustments are made to allow for factors such as; age of sale, size, location, quality, condition, marketability, shape of site, access, contour, aspect and tenure.
- The Income approach is a market value based valuation approach. It reflects what a prudent investor would pay for an asset, given an expected return with consideration of the risks involved in the investment.
- The ODRC approach is only used when the fair value of an asset cannot be determined by reference to the price in an active market for the same asset or a similar asset. Under these circumstances, depreciated replacement cost is considered to be the most appropriate basis for determination of the fair value.

ODRC begins with assessing the replacement cost of the assets as at the date of valuation less an allowance for any physical and economic obsolescence to date and for any over-design. The balance of the replacement cost less all forms of obsolescence and over design represents the fair value of the asset. The replacement cost rates are derived from recent costings obtained from construction details and other published cost information. Where possible, buildings have received an internal inspection.

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 4% (2021: 2%) and a discount rate of 2.20% (2021: 2.12%).

Other

Management are required to exercise judgement in calculating provisions, assessing the level of unrecoverable work in progress, assessing expected credit loss and calculating provisions for employee benefits.

The determination of whether entities which the Council has an interest in are controlled for accounting purposes requires management to exercise judgement to determine whether the nature of the interest and the benefits, rights and obligations which accrue are sufficient for Council to control the entity.

Subsidiary critical accounting estimates and assumptions

Invercargill Airport Limited - determination of the recoverable amount of assets

For 2022, due to the impact of COVID-19 on air travel and global supply chains around the world creating high inflation and a raising interest rate environment in New Zealand and globally, an impairment assessment was carried out.

The following major inputs and assumptions were adopted:

- The forecast free cash flows reflect the charges determined following the 2022 aeronautical pricing consultation with airline customers.

- Expected revenues reflect expected passenger numbers and other contractual revenues.
- The weighted average cost of capital (WACC) used ranges from 5.6% to 7.16% (2021: 4.51% to 5.91%) 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 7.87% (resulting in an average WACC of 14.02%).

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

The ongoing impact of COVID 19 has brought similar challenges to the previous year, requiring the Group to adapt and respond with agility to the ever changing pandemic environment. Electricity distribution and generation which activities make up the majority of the Group's revenue were deemed as essential and have not been adversely impacted by the fluctuating pandemic environment and the traffic light changes throughout the year.

The Group Operating Surplus Before Taxation, Subvention and Fair Value Amortisation amounted to \$8.59 million, a marginal increase from the 2021 result and is 5% above the 2022 target. This positive result reflects the combination of higher capital contributions generated from the Stead Street upgrade and new connections resulting from the ongoing Invercargill CBD Development, an increase in share of profit of Associates and Joint Ventures, and lower finance costs benefitting from favourable interest rates during the year, partially offset by lower revenue from electricity delivery services. The revenue reduction from electricity delivery services was in line with expectation impacted by a price reduction driven by the Commerce Commission regulated Default Price Quality Path (DPP3) which sets the Allowable Notional Revenue for the five-year period from 1 April 2020.

Share of Profit of Associates and Joint Ventures increased by 13% from the previous year largely driven by Southern Generation Limited Partnership revenue growth resulting from the completed acquisition of three Hydro Stations, partially offset by lower revenue from OtagoNet Joint Venture due to DPP3 line price reset.

The Net Surplus After Taxation is impacted by prior year adjustment on current tax resulting in an unfavourable comparison to target and last year result.

Other

Management of subsidiary companies determine useful lives for particular assets. In making this assessment, they make judgements about the expected length of service potential of the asset, the likelihood of the asset becoming obsolete as a result of technological advances and the likelihood of the company ceasing to use the asset in its business operations.

Management of the subsidiary companies assess whether individual assets or groupings of related assets (which generate cash flows co-dependently) are impaired by estimating the future cash flows that those assets are expected to generate. Assumptions such as rates of expected revenue growth or decline, expected future margins and the selection of an appropriate discount rate for discounting future cash flows are required.

Management of most of the subsidiary companies use independent valuers to determine the fair value of certain assets. The valuation process requires the use of assumptions and estimates which are based on market conditions at the time. Any changes in market conditions subsequent to balance date will impact future valuations. A movement in fair value of an asset is subsequently recorded within the Statement of Comprehensive Revenue and Expense or other comprehensive revenue and expense depending on asset classification.

32 Three Waters Service Delivery

In June 2022, the Government introduced legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities with effect from 1 July 2024. The impact of these proposed reforms, once legislated, will mean that the Council will no longer deliver three waters services or own the assets required to deliver these services.

The first of three bills The Water Entities Act 2022 was enacted by Parliament on 14 December 2022. The second bill the Water Services Entities bill was introduced to Parliament in December 2022 and the final bill the Water Services Economic Efficiency and Consumer Protection Bill is expected to be introduced in 2023.

Council owns and operates water supply sewerage and storm water. High level guidance has been issued that outlines which assets would transfer to the entity, however there is not yet enough clarity to be able to quantify the financial impacts on asset values, revenue and associated debt with any certainty. As at 30 June 2022, the total three water assets were \$553 975 million. Not all of these assets may transfer. The fair values of these assets have not been adjusted to reflect the transfer of assets. Once the transfer has been legislated and details around the mechanism for the transfer of water assets and any compensation has been established, the values of these assets may require adjustment.

33 Legislative Breach

The 2021/22 Annual Report of Invercargill City Council and Group was not completed by 31 December 2022, as required by section 98(7)(b) of the Local Government Act 2002 due to resource constraints.

Other information

Te tāpiri pārongo



Collaboration across councils and mana whenua

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 are a variety of other collaborative arrangements in place with local councils and mana whenua.

The following are examples of some of those collaborations.

Building Control

Four southern territorial authorities including Southland District Council, Invercargill City Council, Gore District Council and Clutha District Council 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, Invercargill City Council, Gore District Council, Clutha District Council, 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 the 2021/22 year, the EMS team was deployed on two separate occasions to assist Westport during two weather related declarations, providing Westport with much needed staff and EMS staff with invaluable experience. EMS was also involved in coordinating the response to water shortage situation in autumn 2022 at the request of the Mayoral Forum.

Information Technology

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

Collaboration and communication between all participating councils remains strong, with each member freely sharing their council's technology journey, upcoming projects and opportunities to align services. The councils continue to support each other with information on emerging trends, risks, and resolutions to new issues.

Shared Services initiatives during the past year included:

- 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, and this project was a finalist in the Association of Local Government Information Management (ALGIM) Information, Communication and Technology Project of the Year Award.
- Significant progress was made on the Provincial Growth Fund Regional LiDAR Project. As at 30 June 2022, the total area captured by the contractor, Aerial Services Limited, for Murihiku Southland was 74%. Once captured the data is sent offshore for processing and then comes back to Environment Southland for quality assurance checking. The first set of high-resolution 3D mapping data for the Oban area of Rakiura Stewart Island was released publicly and can be accessed via the LINZ Data Service www.data.linz.govt.nz. The rest of Southland will be released as it becomes available.
- Member councils supported each other during periods of remote working due to Covid to ensure high availability of networks and services to enable staff members to work effectively from remote locations.
- Work on a cybersecurity program was advanced, including security awareness training, penetration testing and incident response plans to ensure the right technologies, education, and resources are in place.

Te Rōpu Taiao

The Southland councils have a long-standing and highly valued relationship with Ngāi Tahu ki Murihiku through the four Southland papatipu rūnanga, Te Ao Mārama Inc (the entity representing Southland rūnanga for resource management and local government matters) and Te Rūnanga o Ngāi Tahu (the iwi authority).

The Councils continued to fund and support Te Ao Mārama Inc during the 2021/22 year. The four papatipu rūnanga and the participant councils also continued to meet through Te Rōpu Taiao hui, which allow for exchange of information and identification of opportunities to work together.

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 and Southland have free access to 35 public library branches, three book buses and a collection of more than 1.5 million 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

The Southland Regional Development Strategy (SoRDS) was published by the Mayoral Forum in 2015. The main goal of the Strategy was to increase the Southland population by 10,000 more people by 2025, through creating more jobs and taking up more development opportunities. Modelling shows Southland is on track to achieve this population target. In addition, many of the actions identified within the strategy are either already complete or underway.

During the 2021/22 year, Great South¹ (the Southland Regional Development Agency), was successful in gaining Just Transition funding to undertake long-term planning including a review of the Southland Regional Development Strategy. This work, known as “Beyond 2025 Southland”, has 16 workstreams within five areas of focus that build on the previous work of the Southland Regional Development Strategy (SoRDs).

The process to develop the Beyond 2025 Southland Plan will take 18 months and requires a multi-stakeholder partnership with councils, mana whenua, the business sector, local communities, other key stakeholders and central government. Further information can be sourced from www.beyond2025southland.nz.

Regional Planning

The membership and terms of reference for the Regional Planning Managers Group (comprising staff from Environment Southland, Invercargill City Council, Southland District Council and Gore District Council) were reviewed and expanded during the year to enable an improved response to impending legislative changes. The membership of the group now includes the Regional Strategy Managers, Te Ao Mārama Inc and Great South.

Regional hui with elected members during the year included a session in November 2021 on the consultation document on New Zealand’s first

¹ Great South is a Council-Controlled Organisation, with a broad range of shareholders helping to drive regional growth.

Emissions Reduction Plan, Resource Management Reform and the Review of Local Government. A Climate Change hui was to have also been held during the 2021/22 year but was moved to 4 July 2022 due to Covid.

Joint submissions included responses to the consultation documents on the Emissions Reduction Plan and National Adaptation Plan, along with the exposure draft of the National Policy Statement for Indigenous Biodiversity and discussion document on proposals to prevent exotic forests from registering in the permanent forest category of Emissions Trading Scheme (ETS).

A coordinated approach to regional spatial planning in the region was also scoped.

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

Glossary

BCA	Building Consent Authority
CCOs	Council Controlled Organisations
CCTOs	Council Controlled Trading Organisations
CGU	Cash Generating Unit
Council	Invercargill City Council
COVID-19	2019 Novel Coronavirus Global pandemic
Cr	Councillor
DIA	Department of Internal Affairs
DRC	Depreciated replacement cost
ECL	Expected credit loss
EIL	Electricity Invercargill Limited
EOC	Emergency operations centre
EMS	Emergency Management Southland
ERL	
ETS	Emissions trading scheme
Exchange revenue	Revenue from providing goods and services to another entity and directly receiving approximately equal value in exchange
FAP	Financial assistance package
FDA	Financial delegation authority
FRS	Financial reporting standard
FVOCRE	Fair value through other comprehensive revenue or expenses
Group	As outlined in Group Structure section of the Annual Report
GST	Goods and services tax
IANZ	International Accreditation New Zealand
IAL	Invercargill Airport Limited
ICC	Invercargill City Council
ICL	Invercargill Central Limited
ICHL	Invercargill City Holdings Limited
ICPL	Invercargill City Property Limited
IPSAS	International Public Sector Accounting Standards
ISP	Internal service providers
ILT	Invercargill Licencing Trust
LGFA	New Zealand Local Government Funding Agency Limited
LIMs	Land Information Memorandums
LOS	Level of service
LTP	Long Term Plan
KPI	Key Performance Indicators
MBIE	Ministry of Business, Innovation and Employment
MLT	Mataura Licencing Trust
MOU	Memorandum of Understanding
NABERSNZ	National Australian Built Environment Rating System New Zealand
NBS	New building standard
Non exchange revenue	Revenue from transactions that are not exchange transactions
NPS	National policy statement
NZ GAAP	General accepted accounting practice in New Zealand
NZ IAS	New Zealand equivalent to International Accounting Standard
NZ IFRS	New Zealand equivalents to International Financial Reporting Standards
NZLGIC	New Zealand Local Government Insurance Corporation
NZTA	New Zealand Transport Agency
NZTE	New Zealand Trade and Enterprise
NZU	New Zealand Emissions Units
NZX	New Zealand Stock Exchange
ORDC	Optimised depreciated replacement cost

PBE	Public benefit entity
PIM	Project Information Memorandum
RFID	Radio frequency identification
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SOI	Statement of Intent
SoRDS	Southland Regional Development Strategy
Vested assets	Assets received by Council for no consideration
WIP	Work in progress
WINZ	Water Information New Zealand
XRB	External Reporting Board

