



2021-2022 Summary

Annual Report

Our Roadmap to Renewal



He Ngākau Aroha – Our City with Heart



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What is the summary report?

He aha whakarāpopototanga?

The Annual Report outlines our overall financial position and performance for the 2021-22 financial year, measured against our key goals set out in the Long Term Plan 2021-31.

This booklet is a summary of the main report, showing at a glance what we worked on in the 2021-22 financial year and highlighting our key achievements. The full report shows how we are delivering on our commitments to the

community. It sets out what we did, why those things were done, what they cost and how we paid for them. It also outlines progress and ongoing work in developing the city centre and upgrading our three waters – water supply, storm water and waste water. The Council adopted the full 2022 Annual Report on 7 March 2023.



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 Branzholme 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 blue ink, appearing to be 'Nobby Clark', written on a light blue background.

Nobby Clark
Mayor



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 \$4.7m. 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.

Clare Hadley
Chief Executive

Compliance Statement

In the opinion of the Council and management of Invercargill City Council, this Summary Annual Report represents fairly and consistently the financial position and operations of Council as detailed in the Annual Report 2021/22. This Summary Annual Report is authorised for release by the Mayor, Acting Chief Executive and Acting Group Manager Finance and Assurance on 7 March 2023.

Nobby Clark
Mayor

Michael Day
Acting Chief Executive

Patricia Christie
Acting Group Manager
Finance and Assurance



Our Achievements

Ngā ā mātau whakatutuki

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: Hydroslices at Splash Palace
5. Dec 2021: Parking meter upgrade
6. Dec 2021: Gostelow Park Pump Track
7. Mar 2022: Te Ara Tarapa - 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 highlights

Ngā kaupapa nui

Council - The 2022 year in review

Total Assets

\$1.27 billion

2021	\$1.04 billion
Planned	\$1.15 billion

Total Revenue

\$119 million

2021	\$108 million
Planned	\$110 million

Total Liabilities

\$122 million

2021	\$116 million
Planned	\$148 million

Total Expenditure

\$113 million

2021	\$109 million
Planned	\$108 million

Total Rates Levied

\$61 million

2021	\$58 million
Planned	\$60 million

Total Capital Expenditure

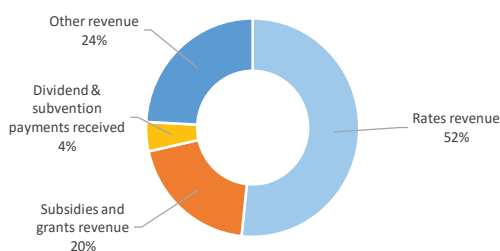
\$50 million

2021	\$26 million
Planned	\$65 million

Financial overview

Te Arotake Pūtea

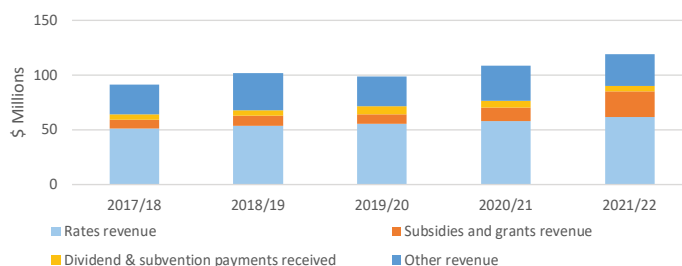
Source of Revenue - 2021/22



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, Konoa funding for Stead Street together with the Citys 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

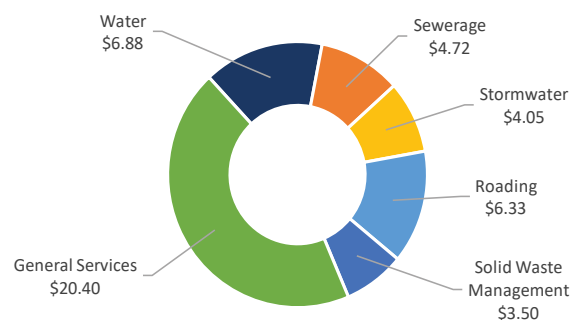
- Rates revenue has increased slowly, with a small increase in both the number of rating units and higher rates charges.
- Subsidies and grant revenue has held steady over the year except for in 2021/2022 when additional government funding was received for capital projects within the 3 waters activities.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

Where do my rates go?

On average our activities cost \$45.88 per week

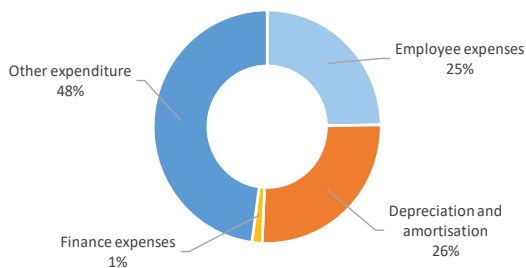
- \$15.65 goes to the three waters (water supply, stormwater and wastewater)
- \$20.40 goes to General services which includes our parks, libraries, aquatic and regulatory activities;
- \$6.33 goes to transport, roads and footpath activities; and
- \$3.50 goes to solid waste.

Where does my rates go each week?



Total expenditure

Expenditure Categories - 2021/22

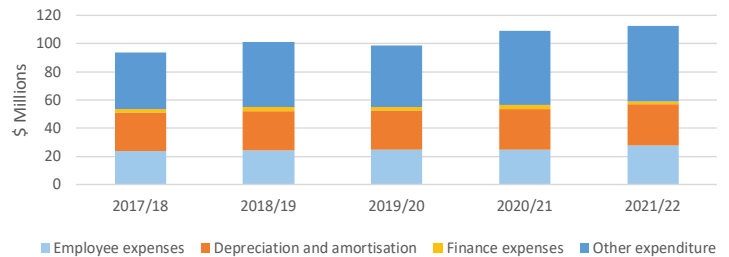


Expenditure excluding depreciation of \$83 million was \$4 million higher than budgeted and \$3 million higher than 2021. This is principally the result of lower employee vacancies and higher other expenditure driven by the increase in solid waste activity. These were partially offset by lower finance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

Expenditure Categories



Over the past five years

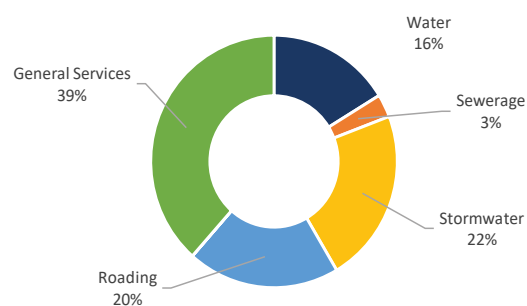
- Employee expenses have remained consistent for the five years being between 23-26% of total expenditure.
- Depreciation has remained steady with minor increases from new capital and changes in valuations
- Other expenditure has been higher the last two years with increased waste management fees and 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)
- Branxholme pipeline (Water)
- City Centre Streetscape and Anderson House (General Services)
- Parking Meter renewals (Roading)

Capital Expenditure - 2021/22



Financial overview

Te Arotake Pūtea

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 a \$5.1 million, \$0.2 million lower than 2021. Group total assets have increased to \$1.5 billion while liabilities are \$244 million.





Our activities and performance

Ngā ngohe

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 wanted to provide to its community and the measures are performance indication as to whether the levels of service have been achieved.

The Annual Report details the performance measures and their achievement for the

activities. Council's framework for success in the Long-term Plan which is centred on the vision of, "our city with heart" – He Ngākau 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.



Summary Statement of Service Performance 2021/2022

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.

The Annual Report details each of the performance measures and their achievement for the activities. The below table summarises the achievement of performance measures by group of activity.

GROUP OF ACTIVITIES	NUMBER OF PERFORMANCE MEASURES ACHIEVED	% ACHIEVED
Water	8 out of 9	89%
Stormwater	3 out of 5	60%
Sewerage	5 out of 5	100%
Roading Services	8 out of 14	57%
Solid Waste	1 out of 5	20%
General Services	38 out of 61	62%



Summary Statement of Service Performance 2021/2022

Capital Expenditure

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.

	CAPITAL EXPENDITURE		
	Actual 2022 (\$000)	Plan 2022 (\$000)	Actual 2021 (\$000)
Water	8,034	8,630	3,273
Sewerage	1,461	3,943	3,082
Stormwater	11,034	17,302	2,895
Roading	9,898	7,777	9,592
Solid Waste Management	3	70	2
General Services	19,022	27,453	7,080
Total cost of service delivery	49,452	65,175	25,924

The summary table above sets out expenditure on infrastructure assets for the year. Actual expenditure is less than planned expenditure for the year. This is due mainly to differences in expenditure for stormwater and general services projects. Further detail is provided for each activity's significant planned capital projects from page 36 of the Annual Report, but the main reasons are summarised below:

Stormwater

- Stead Street stop bank project – a significant proportion of the project has been completed during the year with full completion on target for the first half of 2023.

General Services

- 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.
- Museum building redevelopment – Building options were considered and consulted on as part of the Annual Plan 2022/2023.
- Demolition of Esk Street West buildings – Property was sold in 2022 therefore demolition did not occur.
- Housing Care building improvements – The renewal of existing and creation of new housing units was not completed during the year due to delays in the planning stage.
- City Centre Masterplan Streetscape – Stage one nearing completion and remains within targets.



Financial Benchmarks

Te Whakaaro Whakatūpatō 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 | ▪ Essential services benchmark | Not met |
| ▪ Rates increase affordability | Met | ▪ Debt servicing benchmark | Met |
| ▪ Debt affordability benchmark | Met | ▪ Debt control benchmark | Met |
| ▪ Balanced budget 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.



Financial Benchmarks

Te Whakaaro Whakatūpato ā-pūtea

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.

KEY



Benchmark Met



Benchmark Not Met



Benchmark

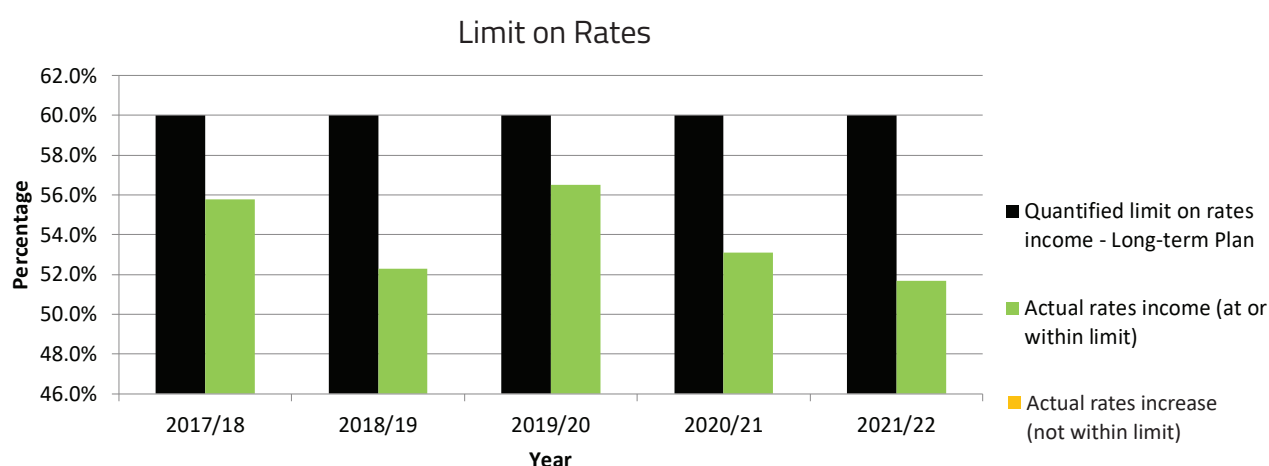
Rates (Income) Affordability Benchmark

	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 revenues.



Council aims to maintain the rates collected at a maximum of 60% of the total Council revenue.

Council has achieved this over the past five years.



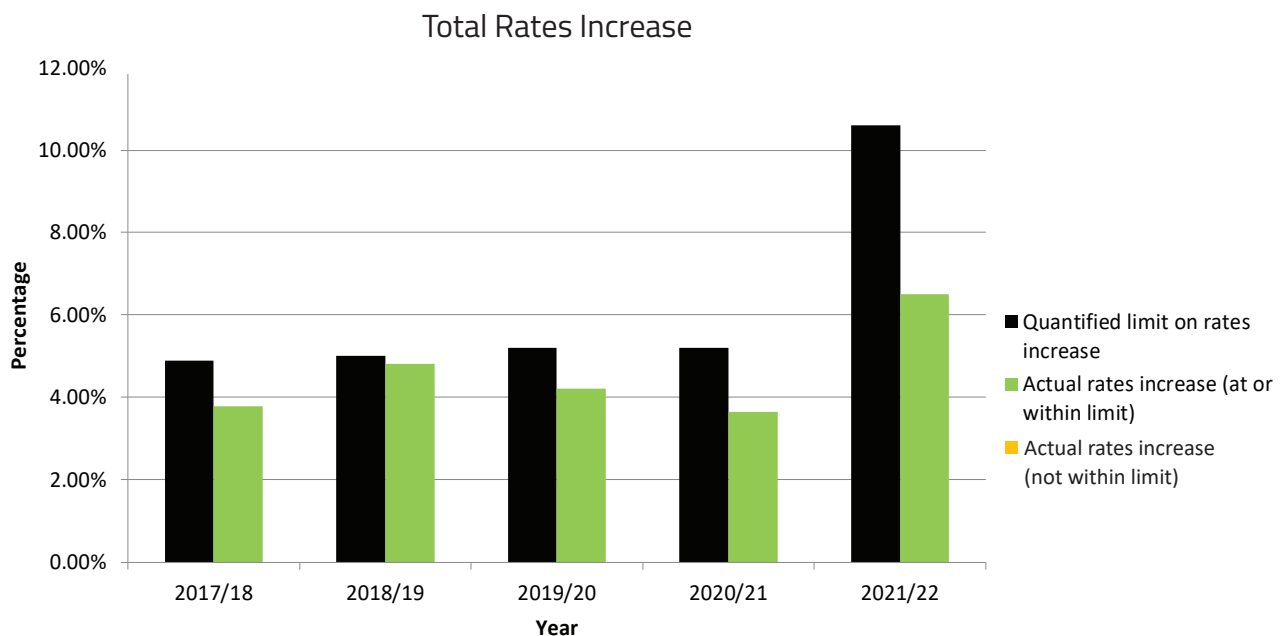
Rates (Increases) Affordability

	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 for the last five financial years.

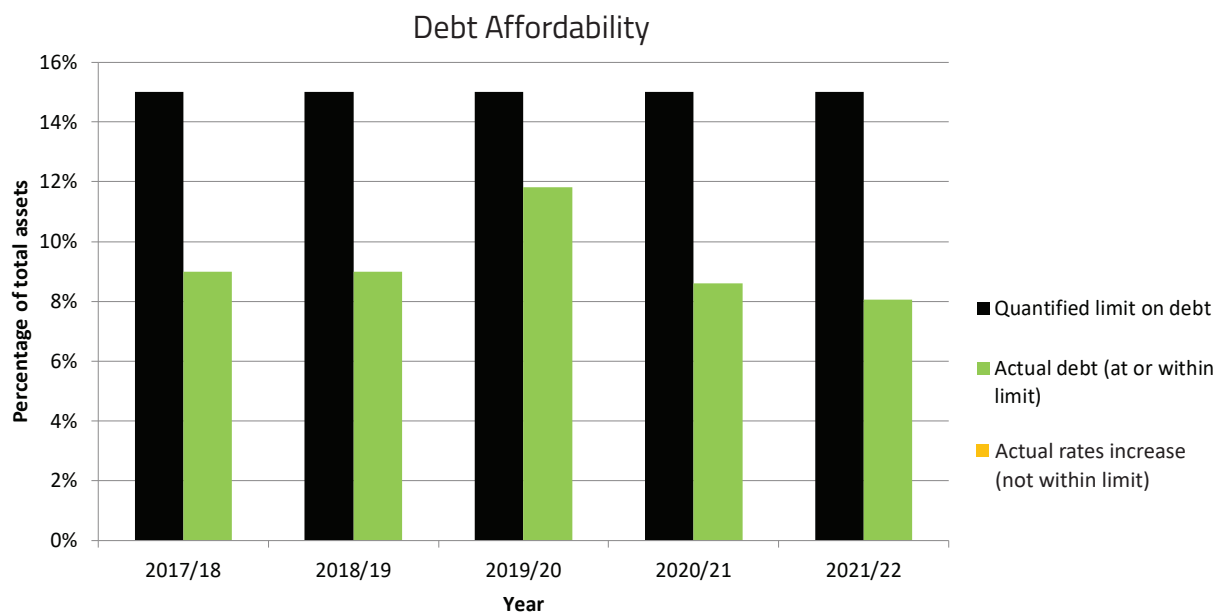


Debt Affordability Benchmark

	2017/18	2018/19	2019/20	2020/21	Year of Annual Report 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 the 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.

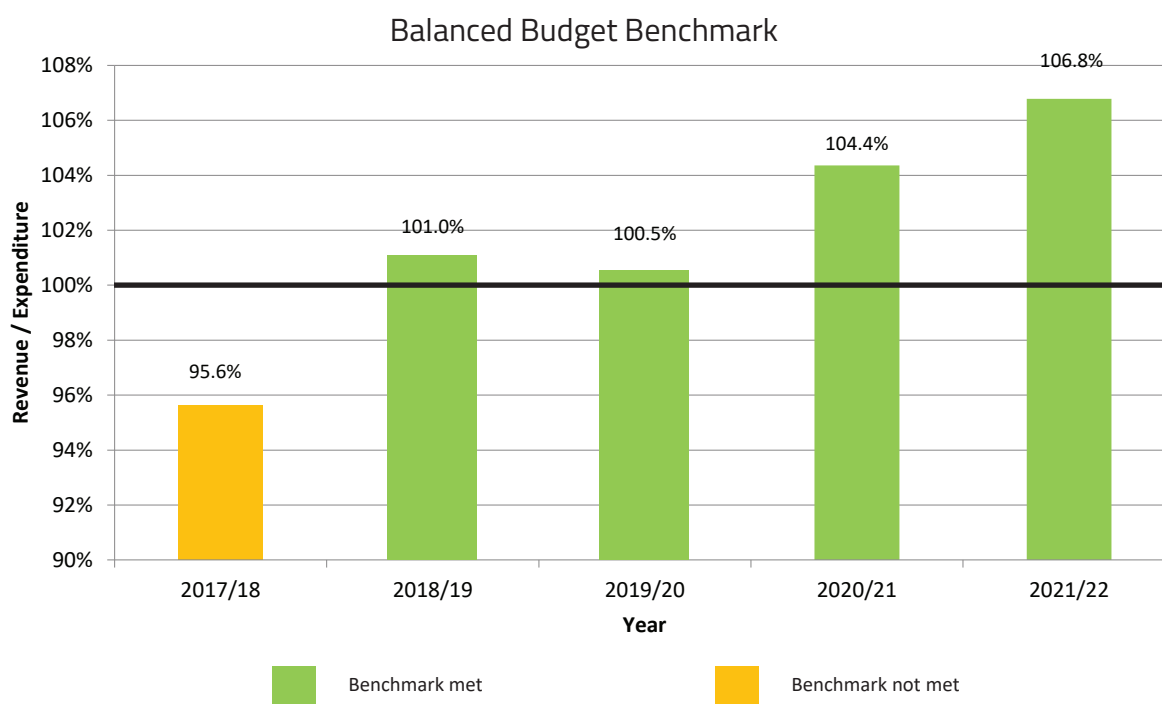


Balanced Budget Benchmark

	2017/18	2018/19	2019/20	2020/21	Year of Annual Report 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 and equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant and equipment).

The Council meets this benchmark if its revenue equals or is greater than its operating expenses.



* 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.

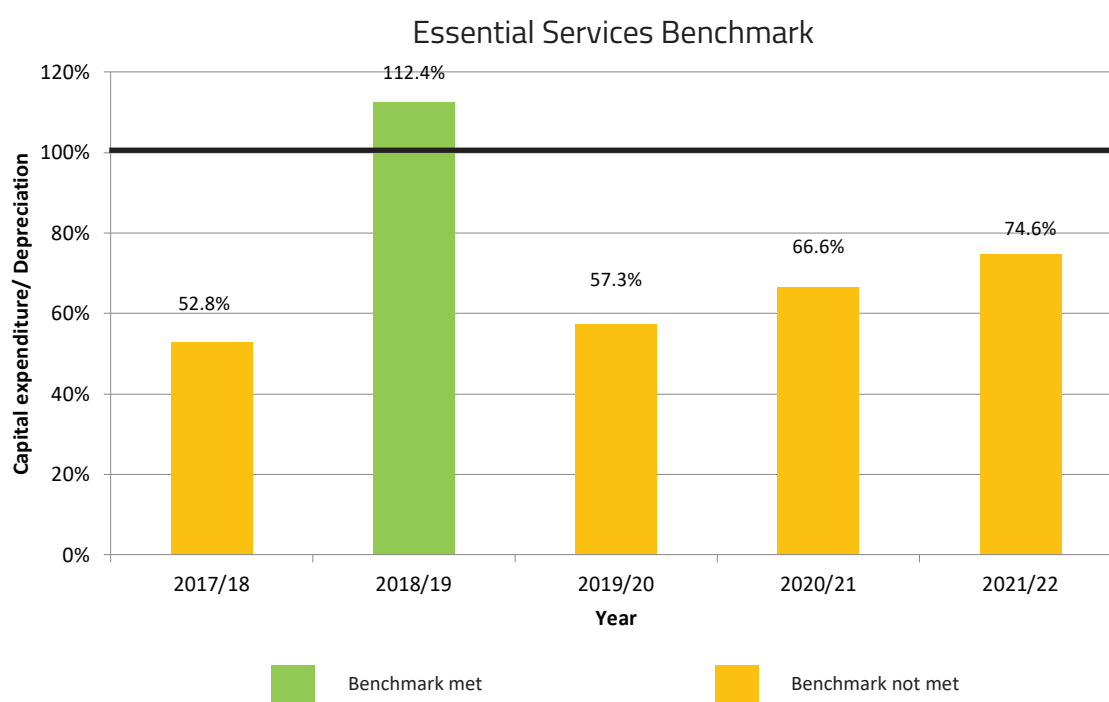
Council is aware of the issue of affordability and financial sustainability. Council revenue has been greater than its operating expenses for four of the past five years. Council continues to investigate efficiencies to reduce expenditure and increase other revenue, and by doing so reduce the revenue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



Essential Services Benchmark

	2017/18	2018/19	2019/20	2020/21	Year of Annual Report 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 service assets. The Council meets this benchmark if its capital expenditure on network services equals or is greater than the depreciation of 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.

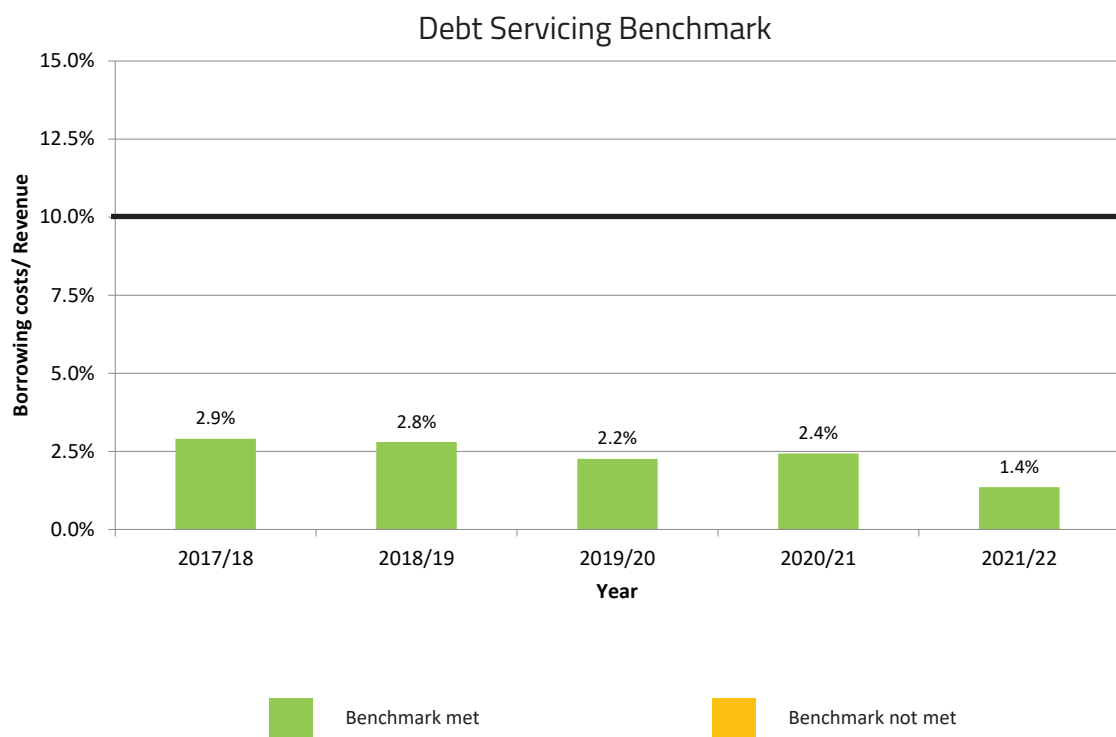


Debt Servicing Benchmark

	2017/18	2018/19	2019/20	2020/21	Year of Annual Report 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 and 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 its 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 lower market interest rates.

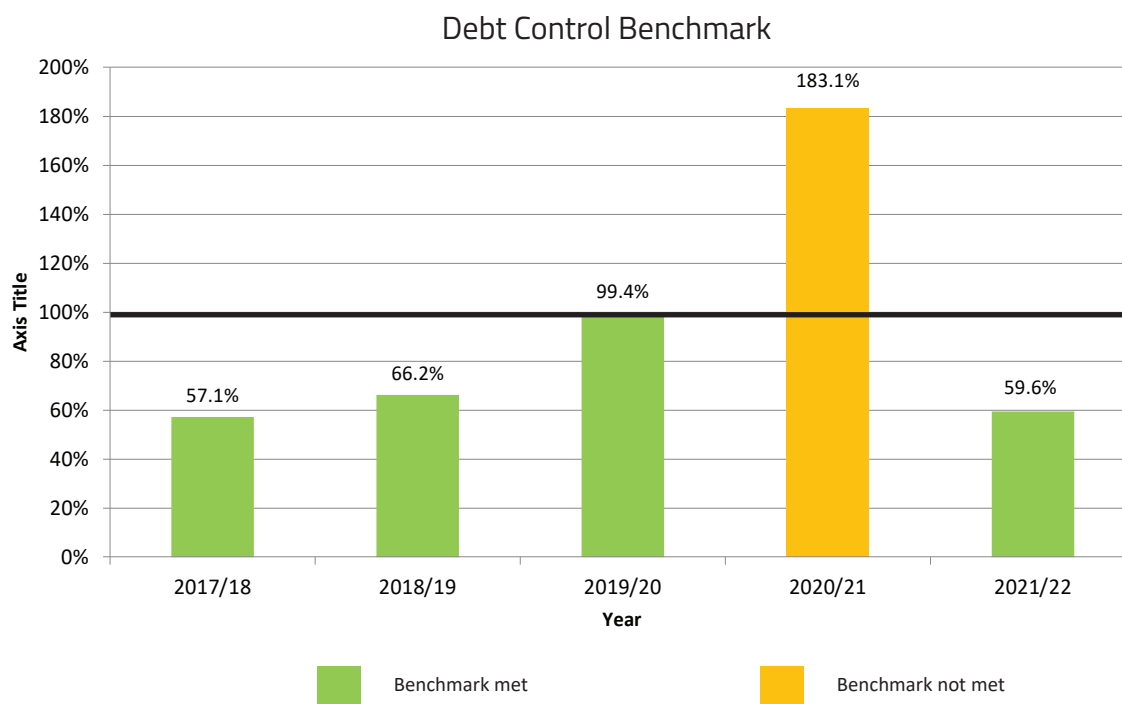


Debt Control Benchmark

	2017/18	2018/19	2019/20	2020/21	Year of Annual Report 2021/22
Actuals	\$'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
Budgeted					
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 debt.



* Financial Assets (excluding trade and other receivables) - as per Annual Report or Annual Plan (LTP) - Statement of Financial Position.

^ Financial Liabilities - as per Annual Report or Annual Plan (LTP) - Statement of Financial Position.

Council's actual net debt position has consistently been below its planned net debt position due to the deferral of large debt funded capital 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.

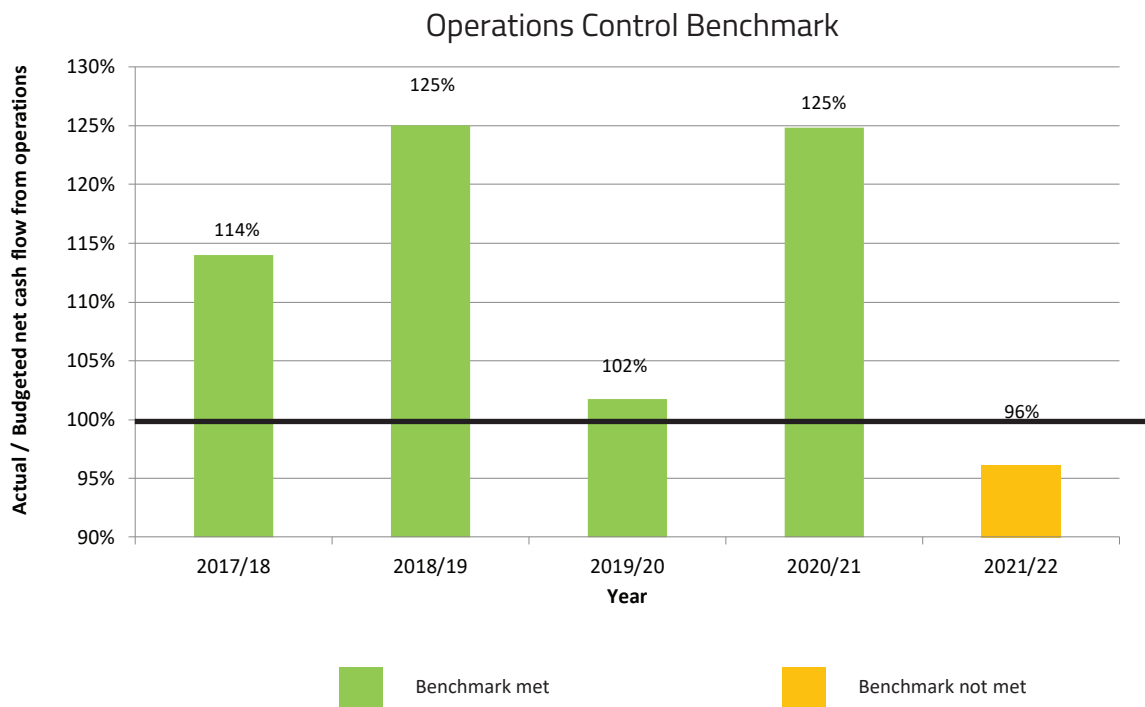


Operations Control Benchmark

	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 cash flows in all but 2021/2022. This was the result of lower revenue due to Covid restrictions and higher than planned expenditure including increased waste charges.



Council Group

Te rōpu

The 2022 year in review

Total Assets

\$1.5 billion

2021 \$1.27 billion

Total Revenue

\$138 million

2021 \$127 million

Total Liabilities

\$244 million

2021 \$234 million

Total Operating Expenditure

\$138 million

2021 \$133 million

Total Ratepayers Funds

\$1.26 billion

2021 \$1.03 billion

Total Surplus before Tax

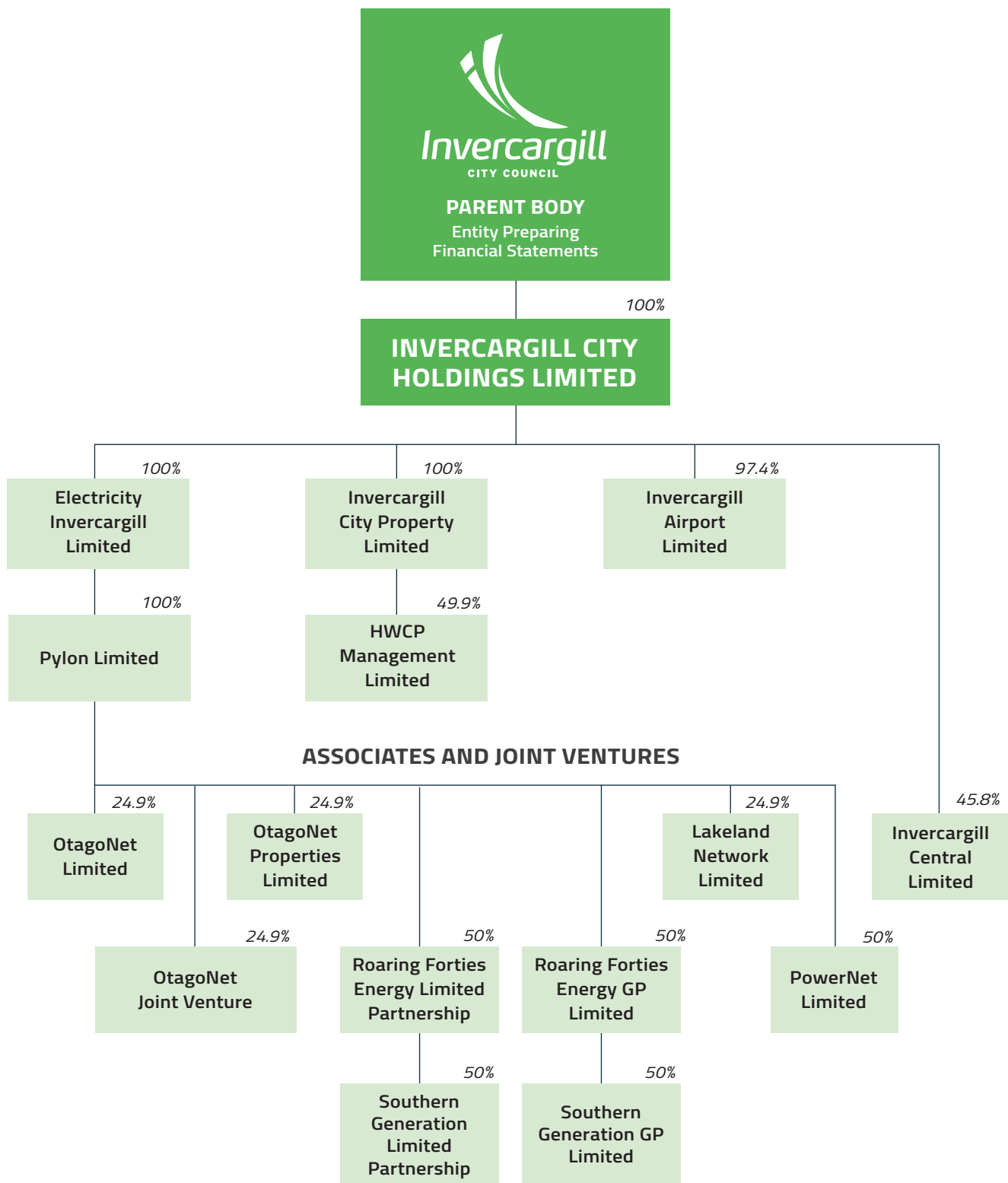
\$5 million

2021 \$5 million



Group Structure

Te hanganga kaunihera



Invercargill City Forests Limited was disestablished in August 2021.

Council Controlled Organisations

	Income	Total Comprehensive Income	
	2022 (\$000)	2022 (\$000)	2021 (\$000)
Invercargill City Holdings Group	26,627	3,573	30,405*
Electricity Invercargill Limited	20,949	5,731	10,968
Invercargill Airport Limited	5,868	538	1,268
Invercargill City Property Limited	204	0	3,338*
Southland Museum and Art Gallery Trust Board	1,298	62	(5)
Invercargill City Charitable Trust	1,907	1,564	(3,307)
Bluff Maritime Museum Trust	102	19	27
Southland Regional Development Agency Limited trading as Great South	9,252	794	460

For more detail refer to individual organisation reports.

* These numbers have been restated.



Auditor's Opinion

Nga korero ate kaitatari kaute

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

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

The summary of the annual report was derived from the annual report of the Invercargill City Council (the City Council) for the year ended 30 June 2022.

The summary of the annual report comprises the following summary statements on pages 12 to 14 and 30 to 35:

- the summary statement of financial position as at 30 June 2022;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cashflows for the year ended 30 June 2022;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service performance.

Opinion

In our opinion:

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

However, the summary financial statements include a limitation of scope to the equivalent extent as the full audited financial statements in relation to the carrying value of the City Council and Group's revalued property, plant and equipment as at 30 June 2021, and the asset revaluation movement in the year ended 30 June 2022. This limitation is explained below in *the full annual report and our audit report thereon* section.

Summary of the annual report

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



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

The full annual report and our audit report thereon

We expressed a qualified opinion on the financial statements and an unmodified opinion on the other audited information in the full annual report for the year ended 30 June 2022 in our auditor's report dated 7 March 2023. The basis for the qualified opinion on the financial statements is explained below.

As stated in the statement of accounting policies on pages 91 and 111 to the financial statements in the full annual report, the City Council and the Group measure certain classes of its property, plant and equipment assets at fair value. PBE IPSAS 17: *Property, Plant and Equipment*, requires entities that measure asset classes at fair value to carry out revaluations with sufficient regularity to ensure that the revalued asset classes are not included in the financial statements at a value that is materially different to fair value.

Our audit report on the 30 June 2021 financial statements in the full annual report, 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 in the full annual report, the City Council has valued its property plant and equipment assets 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.

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

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

Council's responsibility for the summary of the annual report

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

Auditor's responsibility

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

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

In addition to our audit and our report on the disclosure requirements, we have 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 any of subsidiaries and controlled entities.



Dereck Ollsson
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand
5 April 2023



Summary Financial Statements

Te Arotake Pūtea

Summary Statement of Financial Position

As at 30 June 2022

	Council	Council	Council	Group	Group
	Actual 2022 (\$000)	Budget 2022 (\$000)	Actual 2021 (\$000)	Actual 2022 (\$000)	Restated* 2021 (\$000)
Assets					
Current assets	58,656	48,202	75,358	66,863	88,677
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	52,465	67,022	33,260	81,556	124,108
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
Net assets	1,145,974	1,003,568	920,776	1,261,143	1,033,965
Equity					
Retained earnings	398,173	386,248	376,475	476,764	456,501
Other Reserves	747,801	617,320	544,301	784,379	577,464
Total ratepayers funds	1,145,974	1,003,568	920,776	1,261,143	1,033,965
Total equity attributable to Council	1,145,974	1,003,568	920,776	1,259,345	1,032,181
Total equity attributable to non controlling interests	-	-	-	1,798	1,784

* The prior period comparative numbers have been restated as set out in Note 1.1 of the full Annual Report.



Summary Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2022

	Council Actual 2022 (\$000)	Council Budget 2022 (\$000)	Council Actual 2021 (\$000)	Group Actual 2022 (\$000)	Group Restated* 2021 (\$000)
Rates revenue	61,313	59,833	57,573	61,313	57,573
Other revenue	57,349	49,918	50,835	77,088	69,701
Total Revenue	118,662	109,751	108,408	138,401	127,274
Finance costs	1,627	2,247	2,767	4,331	5,362
Other expenses	110,974	105,545	106,362	133,484	127,158
Total operating expenses	112,601	107,792	109,129	137,815	132,520
Other gains and losses	528	1,589	5,110	1,067	9,418
Associate and joint venture gains and losses	-	-	-	4,993	4,041
Surplus (deficit) before income tax expense	6,589	3,548	4,389	6,646	8,213
Income tax (expense) / credit	-	-	-	(1,517)	(2,862)
Surplus for the period	6,589	3,548	4,389	5,129	5,351
Other comprehensive revenue and expense					
Property, plant and equipment revaluation gains/(losses)	215,177	85,053	-	215,044	4,784
Carbon credit revaluation gains/(losses)	1,047	-	367	1,047	367
Cash flow hedges gains/(losses)	2,385	-	1,589	5,958	3,833
Total other comprehensive revenue and expense	218,609	85,053	1,956	222,049	8,984
Total comprehensive revenue and expense	225,198	88,601	6,345	227,178	14,335
Surplus for the period attributable to:					
Council	6,589	3,548	4,389	5,115	5,315
Non controlling interests	-	-	-	14	36
	6,589	3,548	4,389	5,129	5,351
Total comprehensive revenue and expense attributable to:					
Council	225,198	88,601	6,345	227,164	14,299
Non controlling interests	-	-	-	14	36
Total comprehensive revenue and expense	225,198	88,601	6,345	227,178	14,335

* The prior period comparative numbers have been restated as set out in Note 1.1 of the full Annual Report.



Summary Statement of Changes in Equity

For the year ended 30 June 2022

	Council	Council	Council	Group	Group
	Actual 2022 (\$000)	Budget 2022 (\$000)	Actual 2021 (\$000)	Actual 2022 (\$000)	Restated* 2021 (\$000)
Balance at 1 July	920,776	914,967	914,431	1,033,965	1,019,630
Total comprehensive revenue and expenses 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
	1,145,974	1,003,568	920,776	1,261,143	1,033,965

* The prior period comparative numbers have been restated as set out in Note 1.1 of the full Annual Report.

Summary Statement of Cashflows

For the year ended 30 June 2022

	Council	Council	Council	Group	Group
	Actual 2022 (\$000)	Budget 2022 (\$000)	Actual 2021 (\$000)	Actual 2022 (\$000)	Actual 2021 (\$000)
Net cash from operating activities	29,026	30,192	32,971	30,431	28,525
Net cash from investing activities	(39,943)	(65,357)	(6,510)	(51,309)	34,176
Net cash from financing activities	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	18,596	6,505	16,673	24,352	25,896



Notes to the Summary Financial Statements

Te nōti

For the year ended 30 June 2022

The full financial statements are contained in the Annual Report, which can be viewed on the Council website at www.icc.govt.nz.

1. Basis of preparation

The Council is a public benefit entity for financial reporting purposes. The financial statements have been prepared in accordance with Tier 1 PBE accounting standards and comply with Public Benefit Entity standards and other applicable Financial Reporting Standards, as appropriate for public benefit entities. The Annual Report 2021/22 includes a Statement of Compliance to this effect.

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

Audit New Zealand has audited Council's Annual Report and Summary Annual Report and has issued a modified report for 2022 on both. The audit report on the 30 June 2021 financial statements in the Annual Report and Summary Annual Report was qualified because Audit New Zealand considered 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 Council did not carry out a revaluation as at 30 June 2021, it was impracticable to determine the amount of the adjustment required. As a result of the matter described above, Audit New Zealand 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.

The disclosures included in the summary financial statements have been extracted from the full financial information in the Annual Report 2021/22 which was adopted by the Council on 7 March 2023.

The summary financial statements do not include all the disclosures provided in the Annual Report 2021/22 and cannot be expected to provide as complete an understanding as provided by the full financial statements.

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

Restatement – the prior period comparative numbers have been restated as set out in Note 1.1 of the full Annual Report.

2. Capital commitments

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

Commitments	Council 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 calculated 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



3. Contingent Liabilities

The Council and Group have a number of contingent liabilities recorded in the 2021/22 Annual Report relating to the following issues:

- New Zealand Local Government Funding Agency guarantee liability
- 20 Spey Street property containment of contamination issue
- Forestry – deforestation liability
- Asbestos has been identified in a number of Council properties to be remedied
- Provincial Growth Fund grant provided to Invercargill Airport Ltd
- Commitment to make Rugby Park Stadium as structurally sound and flexible use facility through Invercargill City Charitable Trust Board.

Council has not recognised a liability in the Statement of Financial Position because either the quantum of the potential liability could not be calculated or there is an extremely low probability of a liability being enforced. More detailed information is included in note 23 of the Annual Report.

4. Variances against budget

Comprehensive revenue and expenses

Total revenue is \$8.9 million higher than budget. This is due to an additional:

- \$1.5 million of rates income, due greater than expected growth in the projected rating base.
- \$6.6 million of subsidies and grants, due to additional government funding for capital projects in the three waters activities;
- \$1.1 million of direct charges revenue, due to increased revenue from timber sales and waste revenue, plus higher user fees income reflecting a greater uptake of Council services;
- \$0.5 million of finance revenue due to interest revenue from a loan advance to ICL and higher interest received from term deposits than budgeted;
- \$0.2 million subvention receipt from ICHL that wasn't budgeted.

offset by reductions of:

- \$0.2 million in fines principally due to decreased parking fines;
- \$0.8 million in rental revenue due to Covid restrictions reducing the demand for renting Parks facilities and the Crematorium;
- \$0.1 million in dividends due to a lower payment from ICHL;

Total Operating expenses are \$4.8 million higher than budget.

This includes an additional

- \$0.6 million of employee expenses due to lower than expected vacancies during the year;
- \$1.0 million of depreciation
- \$3.8 million of general expenses due to higher waste charges incurred from higher volumes of waste received.

Offset by a lower

- \$0.6 million of finance expenses due to lower average total borrowing.

Other gains are \$1.1 million lower than budget due to the revaluation of investment property and forestry assets being lower than the budget assumption.

Total other comprehensive income is \$133.6 million higher than budget due mainly to the revaluation of property, plant and equipment being higher than budget as a result of higher inflation and material price increases than expected.

Total assets are \$116.8 million higher than budget this is principally due increases in the following:

- Cash and cash equivalents are \$12.1 million higher due to the maturity of the Council's short-term term deposits resulting in some being reclassified as cash;



- Receivables are \$2 million higher due to the GST balance at June 2022 being a refund owing to Council;
- Work in Progress is \$35 million higher due to capital works in progress;
- Property, Plant & Equipment is \$80.6 million higher due to the 3 yearly asset revaluation being significantly higher than was anticipated;
- Other financial assets are \$1.9 million higher due short term loan advanced to ICL. This has been offset by the withdrawal of short term investments to fund the capital programme;
- Intangible assets are \$1.2 million higher

offset by a decrease in:

- Investment property is \$17.7 million lower due to the sale of the Esk Street West buildings and the Awarua farm.

Total liabilities are \$25.6 million lower than budget principally due to the following:

- Borrowings are \$23.2 million lower than budget due to Council using term deposit investment funds to pay for capital projects rather than the use of borrowings;
- The liability for derivative financial instruments has reduced by \$3.5 million as they are now classified as an asset due to the change to the value of the contractual undiscounted cash flows of the financial instruments.

offset by:

- an increase in trade payables of \$1.3 million due to timing differences of larger contractor payments which have been accrued in June 2022. These relate to increased capital works being held in work in progress.

A more comprehensive review of performance against budget is included in the full annual report at note 26.

5. Subsequent events

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.

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 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.

6. 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 affect 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 Stormwater. High level guidance has been issued that outlines which assets were transferred 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.





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