



Esk Splore Your City Centre event

2022/2023 Summary Annual Report

Our Roadmap to Renewal



He Ngākau Aroha – Our City with Heart



Tohu Whenua Sculpture on Stead Street

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What is the summary report?

He aha whakarāpopototanga?

The Annual Report outlines our overall financial position and performance for the 2022-23 financial year measured against 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 2022-23 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, stormwater and wastewater. The Council adopted the full 2023 Annual Report on 31 October 2023.

City Streets upgrade whakawātea



Mayor's comment

Ngā kōrero a te Koromatua



It has been a challenging year with many highlights.

Council governance is now vastly improved and I am proud of our achievements. We have achieved a modest rates increase, much lower than many other councils, which acknowledges the pressure on families due to the increased cost of living, food, fuel, interest rates and electricity.

The past year has been full of major milestones, including the completion and opening of the Invercargill Central mall, as well as the City Streets Upgrade for Esk and Don streets. The Stead Street Stopbank upgrade was completed and, along with the work being undertaken by our partners Environment Southland on the Stead St pump station, will protect our airport and city's key infrastructure well into the future. Project 1225, our Council's key project to deliver a new museum for our city, along with a storage facility at Tisbury and tuatara facility in Queens Park, is making swift and positive progress.

The city is well placed for the future. There are possibilities of new industries on the horizon, including a hydrogen plant, salmon farm, aquaculture (whitebait, pāua, seaweed) and data centres. The big challenges we have going forward is to increase renewable energy sources and our housing stock.

Nobby Clark
Mayor of Invercargill

Chief Executive's comment

Ngā kōrero a te tāhuhu rangapū



I am thrilled to have come into this role at a time of exciting change for our community with so many possibilities and opportunities before us.

We welcomed a new Council in October 2022 and I have appreciated the support received from our Elected Members so far and I look forward to supporting them to continue creating a city we can all be proud of.

We have seen many significant developments come to fruition this financial year. The path to completion for these projects may have not always been smooth, but we are happy to finally share these with our community.

City Streets Upgrade Stage One Esk and Don Streets, the Stead Street Stopbank Upgrade and accompanying cultural artwork on Stead Street and Airport Ave, and the commencement of Project 1225 are some of this year's highlights. Project 1225 has made significant progress, with construction for the Tisbury facility reaching the halfway point of the build in June 2023 and remains on track for a December 2023 building completion. In April 2023 Council also appointed the architectural design team that will create our city's new museum.

Progressing Project 1225 meant we had to temporarily relocate Henry and his tuatara friends, but they will

return to a purpose-built facility in Queens Park, joining the other animals in the reserve. We look forward to having this completed in the next financial year.

We can see the return to normal life – patronage of our facilities, venues and events has increased this year as more and more people are enjoying the leisure and activities our city has to offer.

Alongside these exciting developments, we have continued to effectively deliver and enhance core services to our community, including introducing rates online, and the continuing digitisation of our property files.

I appreciate all of your support so far and I look forward to seeing what the next year will bring for our wonderful city.

Michael Day
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 2022/23. This Summary Annual Report is authorised for release by the Mayor, Chief Executive and Group Manager Finance and Assurance on 14 November 2023.

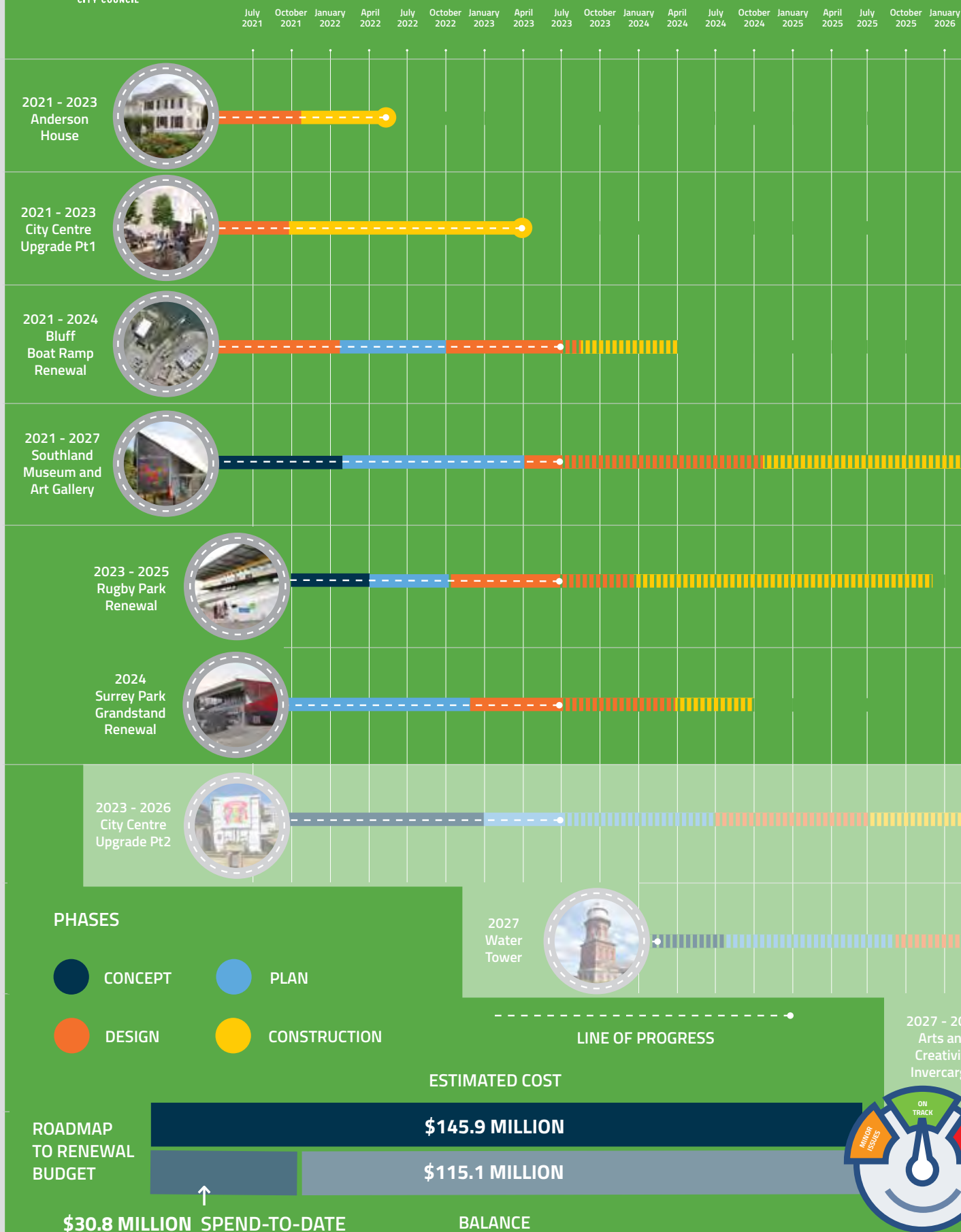
Nobby Clark
Mayor

Michael Day
Chief Executive

Patricia Christie
Group Manager
Finance and Assurance



Roadmap to Renewal Delivery



ery - Progress to 30 June 2023

April 2026 July 2026 October 2026 January 2027 April 2027 July 2027 October 2027 January 2028 April 2028 July 2028 October 2028 January 2029 April 2029 July 2029 October 2029 January 2030 April 2030 July 2030 October 2030 January 2031 April 2031 June 2031

Project 1225, our Council's key project to deliver a new museum for our city, along with a storage facility at Tisbury and tuatara facility in Queens Park, is making swift and positive progress.

The concept design stage for both Museum Building and the Tuatara facility is on track for July 2023.

Stage 1 Branhholme is now fully complete, with physical works for stage 2 due to start at the end of August 2023.

Engineers and designers have started to look at stage 2 for Rugby Park; we will plan the work through this year and submit the consent documentation by November 2023. Physical works will start January 2024.



2030
d
ty
gill



2029 - 2031
Additional
Pool
at Splash
Palace



15005



Our Achievements



- | | |
|-----------------|---|
| Jul 2022 | 1. Stead Street St Stopbank Upgrade |
| | 2. City Block Stage One opens |
| | 3. Bluff Information Kiosk landscaping complete |
| Oct 2022 | 4. Anderson House complete |
| | 5. School speed signs and rural speed limit changes |
| Nov 2022 | 6. Stage One Rugby Park complete |
| Dec 2022 | 7. Construction of Tisbury storage facility begins |
| | 8. City Block Stage Two opens |
| Apr 2023 | 9. Bluff Boat Ramp Stage One designs approved |
| | 10. City Centre Stage One (Esk and Don sts) complete |
| May 2023 | 11. Trees cleared enabling works to start at Museum site |
| | 12. Museum collection 80% packed and catalogued |
| | 13. Surrey Park Grandstand renewal options feasibility study completed |
| | 14. Low Mow pilot begins |
| Jun 2023 | 15. Stirrat St Housing Units break ground |
| | 16. Stage One of Branhholme pipeline complete |
| | 17. Roof completed on Tisbury storage facility |
| | 18. Museum collection relocation starts |
| | 19. Bluff Active Recreation Hub Designs: Concepts drafted for trails and car park |
| | 20. Queens Park Tree - Kelvin Street regeneration Stages Two and Three |
| Jul 2023 | 21. Concept Design agreed for Tuatara facility |
| Aug 2023 | 22. Concept Design for 1225 released |

 **Financial year**

Financial highlights

Ngā kaupapa nui

Council - The 2023 year in review

Total Assets

\$1.29 billion

2022	\$1.27 billion
Planned	\$1.26 billion

Total Revenue

\$122 million

2022	\$119 million
Planned	\$113 million

Total Liabilities

\$148 million

2022	\$122 million
Planned	\$175 million

Total Expenditure

\$131 million

2022	\$113 million
Planned	\$116 million

Total Rates Levied

\$67 million

2022	\$61 million
Planned	\$66 million

Total Capital Expenditure

\$52 million

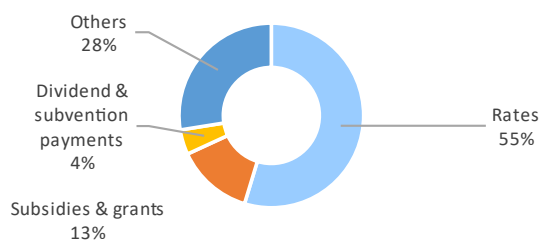
2022	\$50 million
Planned	\$76 million



Financial overview

Te Arotake Pūtea

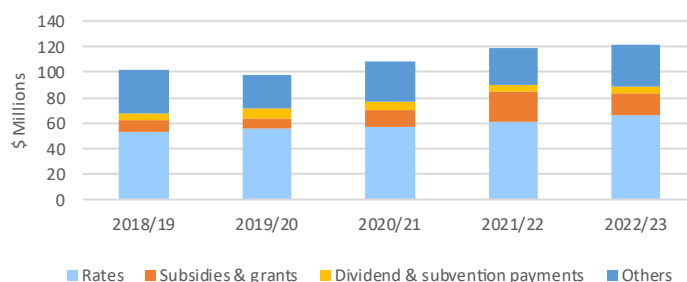
Source of Revenue - 2022/2023



The results for the year ended 30 June 2023 have been significantly impacted by an \$11.8 million increase in depreciation expense. The increase reflects the consequence of the \$215.2 million property plant and equipment revaluation increase in 2022.

Total Revenue (excluding gains) of \$122 million was \$9 million higher than budget and \$3.5 million higher than 2022. The variance to budget was principally due to higher subsidy and grant income, finance revenue and direct charges revenue.

Source of Revenue - 2022/2023



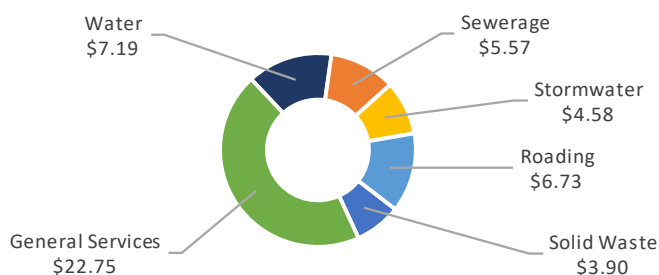
Over the past five years

- Rates revenue has slowly increased, with increases 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 Three Waters activities.
- Other revenue has held steady.

Where do my rates go?

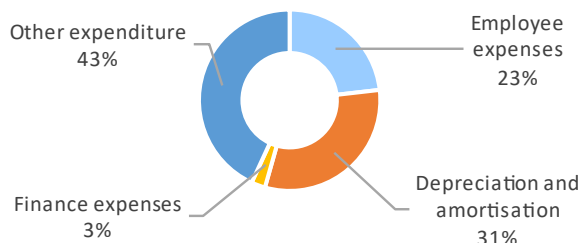
On average our activities cost each ratepayer \$50.72 per week

- \$17.34 goes to the Three Waters (water supply, stormwater and wastewater)
- \$22.75 goes to General services which includes our parks, libraries, aquatic and regulatory activities;
- \$6.73 goes to transport, and roading activities; and
- \$3.90 goes to solid waste.



Total expenditure

Expenditure Categories - 2022/2023

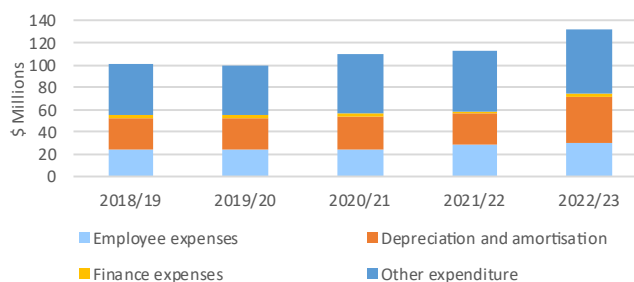


Expenditure excluding depreciation of \$90 million was \$6 million higher than budgeted and \$7 million higher than 2022. This is principally the result of increased recruitment cost as employee vacancies have reduced and to resource the capital programme over the coming years. The increase in other expenditure is driven by the increase in repairs and maintenance in the Three Waters areas and increased costs to deliver the solid waste activity.

Employee expenses of \$30 million represents 23% of total expenditure, which is consistent with previous years. Other expenditure includes \$38 million of direct operating expenses arising on other Council activities.

Finance costs of \$3 million on total borrowing of \$124 million reflect both increased interest rates and the amount borrowed.

Expenditure Categories - 2022/2023



Over the past five years

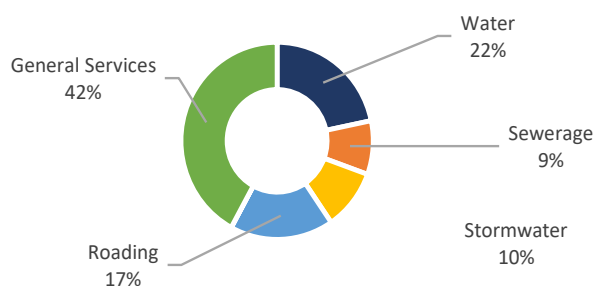
- Employee expenses have remained consistent for the five years being between 23-26% of total expenditure.
- Depreciation has increased markedly from \$28 million in 2018/19 to \$41 million in 2022/23 as a result of the revaluation of council assets.
- Other expenditure has been higher the last two years with external contractor costs for the delivery of services.

Capital expenditure 2022/2023

The Council has spent \$52 million on significant asset investment in the 2023 year including:

- Stead Street Stop bank (Stormwater)
- Branxholme pipeline (Water)
- City Streets Upgrade (General Services)
- Anderson House (General Services)
- Parking meter renewals (Roading)

Over the past two years Council has delivered \$101.5 million of capital expenditure, which is a significant increase on the \$89.7 million that was delivered from 2018-2021 (4 years previously).



Financial overview

Te Arotake Pūtea

Overall Result – Council

Council had an operational deficit after tax of \$10.8 million, which was \$8.6 million worse than the planned deficit of \$2.2 million and was \$17.3 million less than the 2022 surplus. Revaluation gains on roading assets and derivatives, less the devaluation of carbon credits, contributed a further \$4.2 million to Council's overall result. The change reflects the consequence of the \$215 million asset revaluation gain in 2022 on depreciation expense. Asset values are currently increasing significantly due to inflationary pressures, which also causes depreciation expense to increase, putting pressure on funding models and achieving the balanced budget prudence benchmark. Council's total assets have increased to \$1.3 billion while liabilities are \$148 million.

Overall Result – Group

The Group had an operational deficit before tax of \$14.4 million, \$16 million lower than 2022. The deficit after tax of \$51.2 million reflects the impairment of the Invercargill Central Limited joint venture investment of \$41.9 million partially offset by the share of associates and joint ventures surplus. Group total assets have remained the same at \$1.5 billion, while liabilities are \$273.6 million.



Hidden Markets event at Te Rau o Te Huia



Airport Avenue Shared Pathway project

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 is 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 2022/2023

Council successfully delivered on 71 of the 99 (72%) performance measures for the 2022/23 year, an increase from 63 out of 99 (64%) in 2021/22. These measures helped to deliver on community outcomes to enhance our city, preserve its character and embrace innovation and change.

Compared to 2021/22, this financial year Council was able to conduct its business in a stable environment, with minimal restrictions. While the pandemic had a lingering impact on quarters one and two, core services have been delivered effectively and performance lifted in the remaining quarters.

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 and sewerage activities performed well this year, achieving all their performance measures.

Building on improvements made in quarter four of 2021/22, the solid waste activity had a much more positive year, with four out of the five key performance indicators being met. Similar to 2021/22, the discarded material rate per person per annum continued to be below target, at 576.81kg. For the remaining three measures, the improvements on 2021/22 levels were incremental and below the 2020/21 levels. Nonetheless, the activity made progress this financial year and Council will continue to implement education and community initiatives to ensure long-term success. Nine of the 14 roading KPIs have been achieved. Two of the missed measures relate to fatal and serious injury crashes. Safety on the Invercargill transport network is a key focus of the Roading 2024 Activity Management Plan.

Operating at full capacity, fewer interruptions to services, a lift in restrictions and reduced levels of Covid

in our community saw the General Services activity lifting their performance in 2022/23.

Visitor numbers across most Council services performed very well. Splash Palace and He Waka Tuia have not only exceeded the 2020/21 visitor numbers, but they have significantly exceeded their yearly target. While slightly below on last year's performance, Council continues to see the number of visitors to venue facilities performing above target.

With the vaccination clinic ending in December 2022, the Civic Theatre returned to full operating potential and this has been obvious in its quarter three and four performance. Quarters three and four have seen significantly higher number of bookings for the Victoria and Drawing Rooms, reaching 52 bookings for the year (with a target of 70).

Along with Council venues and facilities, less interruptions to service and community returning to usual activities saw patronage levels on buses increase during the year. These figures, along with visitor numbers are on track to reaching pre-Covid figures.

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. The activity has made significant improvement to their performance this financial year and are well ahead of the national average, however, in both building and non-notified resource consents not requiring a hearing, the 100% target was missed. 98% of building consents and 96% of





non-notified resource consents not requiring a hearing were issued within 20 working days of receipt.

This was the second year Council measured customer satisfaction across seven areas. The survey company utilises self-selecting respondents to complete online surveying. Satisfaction levels were similar to those from 2021/22. We continue to see high satisfaction with parks and reserves and also the library (although the target was missed by one percent). Public opinion with the democratic process, aquatic services, He Waka Tuia and venue and events services continues to

be below target. This is only the second year of these measures, and satisfaction levels, as well as survey delivery, will be reviewed as part of the 2024-2034 Long-term Plan process.

Overall, Council continued to provide essential services to the community in an environment with minimal restrictions. It's pleasing to see performance trending upwards as we work towards achieving pre-Covid levels of service.

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	5 out of 5	100%
Sewerage	5 out of 5	100%
Roading Services	9 out of 14	64%
Solid Waste	4 out of 5	80%
General Services	40 out of 61	66%



Summary Statement of Service Performance 2022/2023

	CAPITAL EXPENDITURE		
	Actual 2023 (\$000)	Plan 2023 (\$000)	Actual 2022 (\$000)
Water	11,238	18,039	8,034
Sewerage	4,557	3,568	1,461
Stormwater	5,159	4,614	11,034
Roading	9,011	13,116	9,898
Solid Waste Management	11	70	3
General Services	21,769	36,209	19,022
Total cost of service delivery	51,745	75,616	49,452

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 water projects, roading and general services. Further detail is provided for each activity's significant planned capital projects from page 39 of the Annual Report, but the main reasons are summarised below:

Water

Stage 1 of the Branhholme Pipeline Upgrade work was completed this year after contractor availability delayed the start in 2022. Stage 2 and 3 are to commence in August 2023 and remains on track for completion in December 2024.

Roading

Some resurfacing, rehabilitation and drainage renewal works were delayed due to limited availability of resource and materials during parts of the year.

General Services

- Sandy Point Ski Club area erosion protection – Planned works deferred to future years.
- Compost area relocation – Planned works deferred to future years.
- Museum building redevelopment – The design stage of the museum building commenced this year with the construction of the Tisbury storage facility also under way.
- Civic building renewals - Project was placed on hold to allow a reassessment to take place.
- Bluff Service Centre building renewals – Planned works deferred to future years.
- Housing Care building improvements - Design of the new housing units completed during year with construction to commence next year.

Financial Benchmarks

Te Whakaaro Whakatūpato ā-pūtea

The Council has financial ratios that 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 one of these benchmarks in 2023. The ratios are as follows:

- | | | | |
|--------------------------------|---------|--------------------------------|-----|
| ▪ Rates (Income) affordability | Met | ▪ Essential services benchmark | Met |
| ▪ Rates increase affordability | Met | ▪ Debt servicing benchmark | Met |
| ▪ Debt affordability benchmark | Met | ▪ Debt control benchmark | Met |
| ▪ Balanced budget benchmark | Not met | ▪ Operations control benchmark | 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.



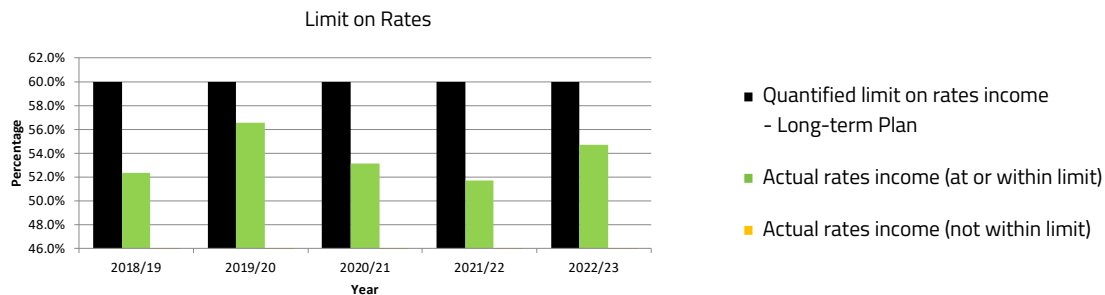
Project 1225 - Tisbury Storage Facility



Financial Benchmarks

Te Whakaaro Whakatūpato ā-pūtea

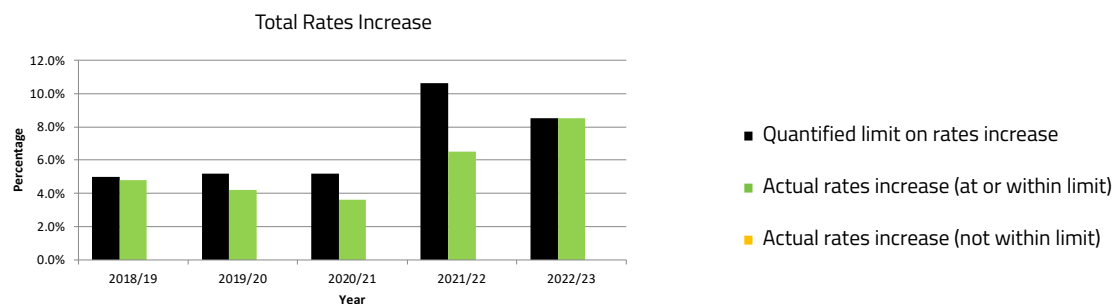
Rates (Income) Affordability Benchmark



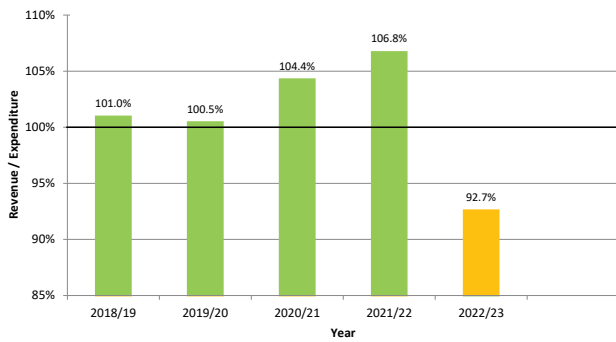
Debt Affordability Benchmark



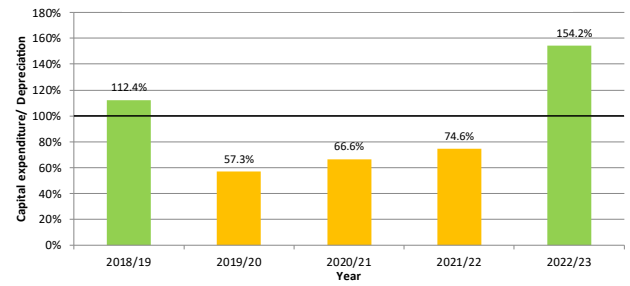
Rates (Increases) Affordability



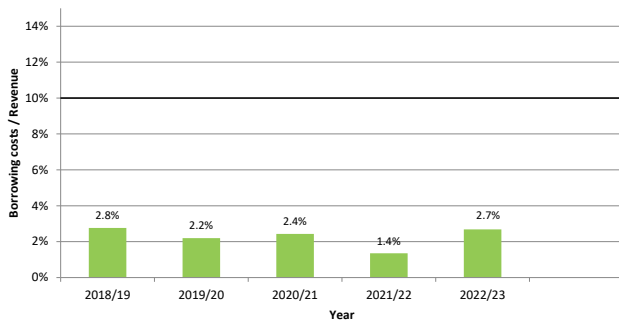
Balanced Budget Benchmark



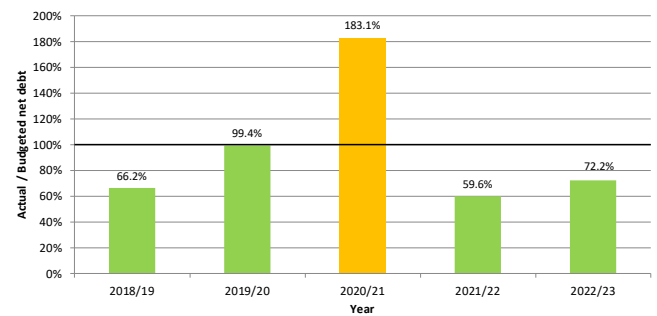
Essential Services Benchmark



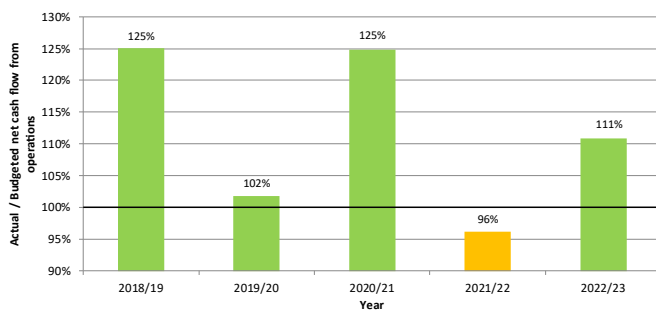
Debt Servicing Benchmark



Debt Control Benchmark



Operations Control Benchmark



KEY

- Benchmark
- Benchmark met
- Benchmark not met



Council Group

Te rōpu

The 2023 year in review

Total Assets

\$1.5 billion

2022 \$1.5 billion

Total Revenue

\$145 million

2022 \$138 million

Total Liabilities

\$274 million

2022 \$244 million

Total Operating Expenditure

\$159 million

2022 \$138 million

Total Ratepayers Funds

\$1.23 billion

2022 \$1.26 billion

Total Surplus/(Deficit) before Tax

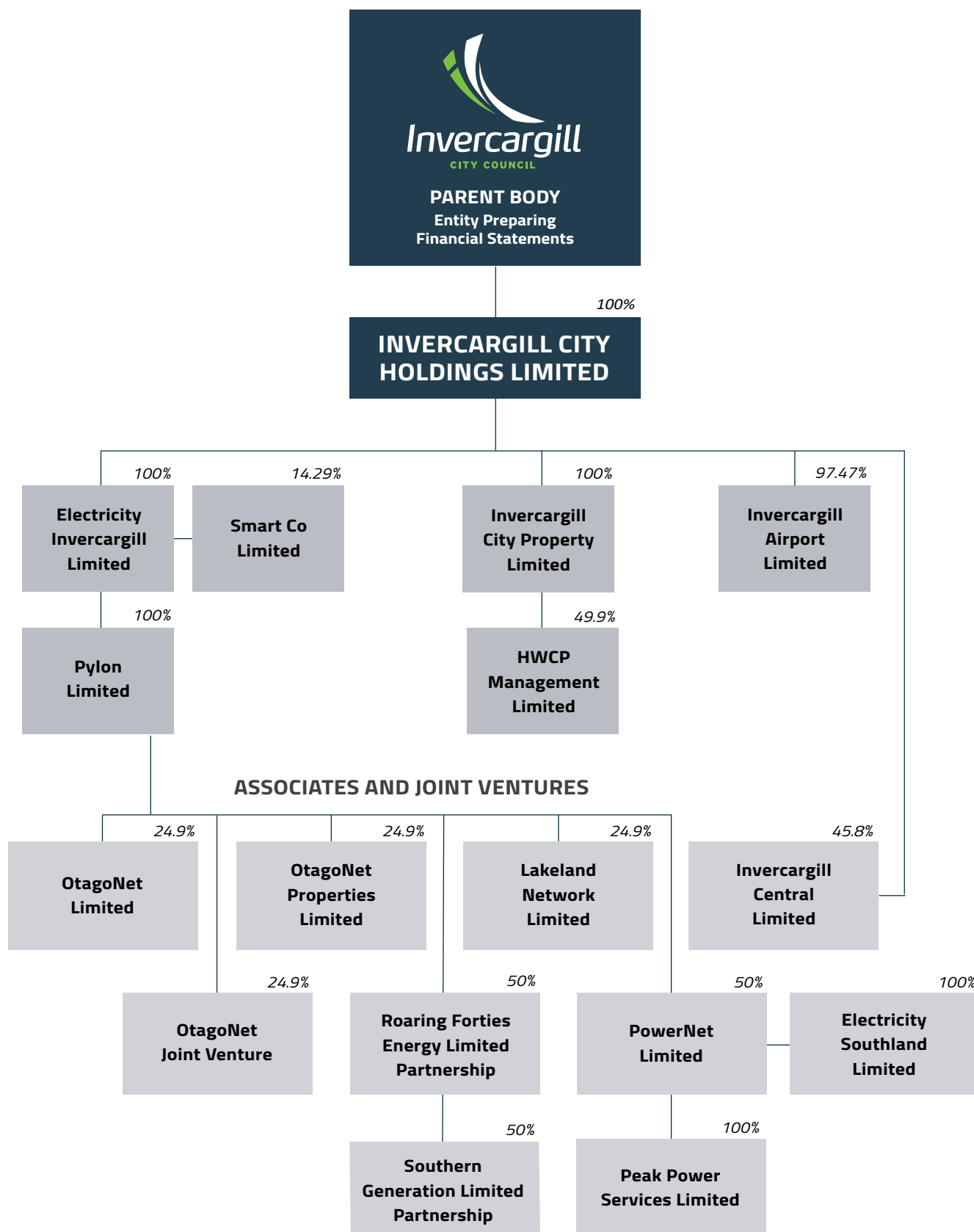
(\$ 49) million

2022 \$7 million



Group Structure

for Invercargill City Holdings Ltd



Council Controlled Organisations

	Income	Total Comprehensive Income	
	2023 (\$000)	2023 (\$000)	2022 (\$000)
Invercargill City Holdings Group	28,553	18,040	(32,648)
Electricity Invercargill Limited Group	21,109	17,506	5,731
Invercargill Airport Limited	8,267	1,444	538
Invercargill City Property Limited	-	(389)	-
Southland Museum and Art Gallery Trust Board	1,277	(93)	62
Invercargill City Charitable Trust	1,052	24	1,564
Bluff Maritime Museum Trust	113	(17)	19
Southland Regional Development Agency Limited trading as Great South	9,459	400	794

For more detail refer to individual organisation reports.



Matariki event at Te Rau Aroha Marae

Auditor's Opinion

Nga kōrero ate kaitatari kaute

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Invercargill City Council and Group's summary of the annual report for the year ended 30 June 2023

The summary of the annual report was derived from the annual report Invercargill City Council (the City Council) and Group for the year ended 30 June 2023.

The summary of the annual report comprises the following summary statements on pages 14 to 16 and 27 to 34.

- The summary statement of financial position as at 30 June 2023.

The summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2023.
- The notes to the summary financial statements that include accounting policies and other explanatory information.
- 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 annual report includes limitations of scope to the equivalent extent as the full audited annual report in relation to the comparative year revaluation movement of the City Council and Group's revalued property, plant and equipment and the performance measure for smooth travel exposure. 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 audit opinion on the financial statements and statement of service performance and an unmodified audit opinion on the other audited information in the full annual report for the year ended 30 June 2023 in our auditor's report dated 31 October 2023. The basis for the qualified opinion on the financial statements and statement of service performance is explained below.

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

As stated in note 11 to the financial statements in the full annual report, the City Council and 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 in the full annual report, the City Council 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. While we obtained sufficient appropriate evidence over the valuation as at 30 June 2022, any misstatement of the City Council's 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, presented as comparative information.

As a result of the matter described above, we are unable to obtain sufficient audit evidence to support the comparative asset revaluation movement recognised in the other comprehensive revenue and expense section of the statement of comprehensive revenue and expense, and in the statement of changes in equity.

Statement of service performance: Our work was limited in relation to the performance measure for smooth travel exposure

The City Council is required to report against the performance measures set out in the Non-Financial Performance Measure Rules 2013 (the Rules) made by the Secretary for Local Government. These mandatory performance measures include the average quality of ride on the local sealed road

network measured by smooth travel exposure. This measure is important because road smoothness is indicative of the quality of service provided to the community.

We were unable to obtain assurance over the accuracy of traffic count data used to calculate the performance measure. This was because source records were not maintained to support all traffic counts.

As a result, our work was limited and there were no practicable audit procedures we could apply to obtain assurance over the accuracy of smooth travel exposure reported against the performance measure.

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

Additionally our auditor's report on the full annual report also includes an emphasis of matter paragraph drawing attention to the following matter in the full annual report:

Uncertainty over the water services reform programme

Note 31 to the financial statements in the full annual report outlines developments in the Government's water services reform programme. The Water Services Entities Act 2022, as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023 and the Water Services Legislation Act 2023 on 31 August 2023, establishes ten publicly owned water services entities to carry out responsibilities for the delivery of three waters services and related assets and liabilities currently controlled by local authorities. Water services entities' establishment dates are staggered, with all the water services entities becoming operational between 1 July 2024 and 1 July 2026. The financial impact of the water services reform on the City Council as outlined in note 31 to the financial statements in the full annual report remains uncertain until the relevant water services entity's establishment date is known, and the allocation schedule of assets, liabilities, and other matters to be transferred is approved.

Information about this matter is disclosed in note 6 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.



For the year ended 30 June 2023 and subsequently, a Director of the Board of Directors of Companies within the Group is a member of the Auditor-General's Audit and Risk Committee. The Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it should not assume any management functions. There are appropriate safeguards to reduce any threat to auditor independence, as a member of the Auditor-General's Audit and Risk Committee (when acting in this capacity) has no involvement in, or influence over, the audit of the City Council and Group.

In addition to reporting on the summary and full annual reports, we have carried out other audit and assurance engagements, and regulatory training and advisory services for the Group. These engagements, as described in note 6.0 and note 6.1 to the financial statements in the full annual report are compatible with those independence requirements.

Other than these engagements, and the relationship with the Auditor-General's Audit and Risk Committee, we have no relationship with or interests in the City Council or its subsidiaries and controlled entities.



Chris Genet
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand
16 November 2023

Summary Financial Statements

Te Arotake Pūtea

Summary Statement of Financial Position

As at 30 June 2023

	Council	Council	Council	Group	Group
	Actual 2023 (\$000)	Budget 2023 (\$000)	Actual 2022 (\$000)	Actual 2023 (\$000)	Actual 2022 (\$000)
Assets					
Current assets	52,479	44,454	58,656	60,055	66,863
Non-current assets	1,234,899	1,217,153	1,209,324	1,441,785	1,438,101
Total Assets	1,287,378	1,261,607	1,267,980	1,501,840	1,504,965
Liabilities					
Current liabilities	93,377	82,426	52,465	141,216	81,556
Non-current liabilities	54,543	92,678	69,541	132,371	162,266
Total liabilities	147,920	175,104	122,006	273,587	243,822
Net assets	1,139,458	1,086,503	1,145,974	1,228,253	1,261,143
Equity					
Retained earnings	378,519	385,802	398,173	416,681	476,764
Other Reserves	760,939	700,701	747,801	811,572	784,379
Total ratepayers funds	1,139,458	1,086,503	1,145,974	1,228,253	1,261,143
Total equity attributable to Council	1,139,458	1,086,503	1,145,974	1,226,419	1,259,345
Total equity attributable to non controlling interests	-	-	-	1,834	1,798



Summary Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2023

	Council Actual 2023 (\$000)	Council Budget 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
Rates revenue	66,548	65,777	61,313	66,548	61,313
Other revenue	55,203	47,655	57,349	78,343	77,088
Total Revenue	121,751	113,432	118,662	144,891	138,401
Finance expenses	3,266	2,325	1,627	6,631	4,331
Other expenses	128,110	114,002	110,974	151,886	133,484
Total operating expenses	131,376	116,327	112,601	158,517	137,815
Other gains/(losses)	(1,123)	742	528	(798)	1,067
Share of associates and joint ventures surplus/(deficit)	-	-	-	7,365	4,993
Impairment of investment in Joint Venture				(41,885)	
Surplus (deficit) before income tax expense	(10,748)	(2,153)	6,589	(48,944)	6,646
Income tax expense	-	-	-	(2,241)	(1,517)
Surplus (deficit) after tax	(10,748)	(2,153)	6,589	(51,185)	5,129
Other comprehensive revenue and expense					
Property, plant and equipment revaluation gains/(losses)	5,065	-	215,177	18,480	215,044
Carbon credit revaluation gains/(losses)	(1,103)	-	1,047	(1,103)	1,047
Cash flow hedges	270	-	2,385	918	5,958
Total other comprehensive revenue and expense	4,232	-	218,609	18,295	222,049
Total comprehensive revenue and expense	(6,516)	(2,153)	225,198	(32,890)	227,178
Surplus/(deficit) for the period attributable to:					
Council	(10,748)	(2,153)	6,589	(51,221)	5,115
Non controlling interests	-	-	-	36	14
	(10,748)	(2,153)	6,589	(51,185)	5,129
Total comprehensive revenue and expense attributable to:					
Council	(6,516)	(2,153)	225,198	(32,926)	227,164
Non controlling interests	-	-	-	36	14
Total comprehensive revenue and expense	(6,516)	(2,153)	225,198	(32,890)	227,178

Summary Statement of Changes in Equity

For the year ended 30 June 2023

	Council	Council	Council	Group	Group
	Actual 2023 (\$000)	Budget 2023 (\$000)	Actual 2022 (\$000)	Actual 2023 (\$000)	Actual 2022 (\$000)
Balance at 1 July	1,145,974	1,088,656	920,776	1,261,143	1,033,965
Total comprehensive revenue and expenses for the year:	(6,516)	(2,153)	225,198	(32,890)	227,178
Balance at 30 June	1,139,458	1,086,503	1,145,974	1,228,253	1,261,143
Attributable to:					
Invercargill City Council	1,139,458	1,086,503	1,145,974	1,226,419	1,259,345
Minority Interest	-	-	-	1,834	1,798
Balance at 30 June	1,139,458	1,086,503	1,145,974	1,228,253	1,261,143

Summary Statement of Cashflows

For the year ended 30 June 2023

	Council	Council	Council	Group	Group
	Actual 2023 (\$000)	Budget 2023 (\$000)	Actual 2022 (\$000)	Actual 2023 (\$000)	Actual 2022 (\$000)
Net cash from operating activities	32,290	29,128	29,026	33,196	30,431
Net cash from investing activities	(57,313)	(83,892)	(39,943)	(60,439)	(51,309)
Net cash from financing activities	21,870	54,764	12,840	22,136	19,334
Net increase (decrease) in cash, cash equivalents and bank overdrafts	(3,153)	-	1,923	(5,107)	(1,544)
Cash, cash equivalents and bank overdrafts at the beginning of the year	18,596	12,663	16,673	24,352	25,896
Cash, cash equivalents and bank overdrafts at the end of the year	15,443	12,663	18,596	19,245	24,352



Notes to the Summary Financial Statements

Te nōti

For the year ended 30 June 2023

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 2022/23 includes a Statement of Compliance to this effect.

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

The full annual report have been audited receiving a qualified opinion on the financial statements, and the statement of service performance section. An unmodified opinion was received on all other audited information.

Financial statements basis for opinion:

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. The City Council valued its property, plant and equipment asset classes held at fair value as at 30 June 2022 resulting in a revaluation movement of recognised in the statement of comprehensive revenue and expense for the year ended 30 June 2022. Any misstatement of the City Council's 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, presented as comparative information.

Statement of service performance basis of opinion:

Audit NZ were unable to obtain assurance over the accuracy of traffic count data used to calculate the performance measure. This was because source records were not maintained to support all traffic counts. As a result, audit work was limited and there were no practicable audit procedures that they could apply to obtain assurance over the accuracy of smooth travel exposure reported against the performance measure.

Without further modifying the audit opinion, there is an emphasis of matter relating to an uncertainty over the water services reform programme. Note 6 on page 34, outlines developments in the Government's water services reform programme.

The disclosures included in the summary financial statements have been extracted from the full financial information in the Annual Report 2022/23 which was adopted by the Council on 31 October 2023.

The summary financial statements do not include all the disclosures provided in the Annual Report 2022/23 and cannot be expected to provide as complete an understanding as provided by the full financial statements.

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



2. Capital commitments

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

Commitments	Council	Council	Group	Group
	Actual 2023 (\$000)	Actual 2022 (\$000)	Actual 2023 (\$000)	Actual 2022 (\$000)
Capital expenditure - Infrastructure	1,246	7,350	1,246	7,350
Capital expenditure calculated for at balance date but not yet incurred for property, plant and equipment.	11,323	11,216	12,956	13,103
Total commitments	12,569	18,566	14,202	20,453

ICC

Council has a number of contracts making up the year end balance including the Branhholme Pipeline Upgrade and Project 1225: storage facility construction and museum building design.

Associates and Joint Venture commitments ICHL Group

At 30 June 2023, Invercargill Central Limited had entered into contractual commitments for the development of property, plant and equipment and investment property, and tenancy contributions amounting to \$180.5 million, of which \$173.2 million has been spent at balance date.

At 31 March 2023, Lakeland Network Ltd has capital commitment of \$568,000 (2022: \$3.14 million).

PowerNet Limited has capital commitments as at 31 March 2023 of \$1,364,000 (2022: \$1,957,000).

OtagoNet has capital commitments as at 31 March 2023 of \$2,589,000 (2022: \$1,105,000).

Other commitments ICHL Group

The Group has a conditional commitment as at 31 March 2023 of \$415,000 (2022: \$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 2023 ICCT have paid the second instalment of \$35,700 of the new alternative premises lease (2022: \$35,700) for rental of alternate offices at 120A Leet Street.



3. Contingent Liabilities

The Council and Group have a number of contingent liabilities recorded in the 2022/23 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
- Ongoing obligation relating to New Zealand Mutual Liability Riskpool Scheme
- Property disputes on leases
- Invercargill Airport Limited – Provincial Growth Fund funding
- Invercargill Central Limited – shareholder and subscription agreement
- Rugby Park Stadium – in principle agreement to transfer assets to Council.
- The HWCP Management Limited associate has no contingent liabilities as at 30 June 2023 of nil (2022: nil).
- Lakeland Network Limited has no contingent liabilities as at 31 March 2023 (2022:nil).

More detailed information is included in note 23.1 of the Annual Report.

4. Variances against budget

Comprehensive revenue and expenses

Total revenue is \$8 million higher than budget. This is due to:

- \$0.7 million of rates income, due to a greater than expected growth in the projected rating base.
- \$2.1 million of subsidies and grants, due to additional funding from the government to subsidise various capital projects, including the Tisbury Storage Facility and New Housing Care unit builds;
- \$3 million of direct charges revenue, due to increased waste revenue and use of Council user paid services;
- \$2 million of finance revenue due to the interest rates on term deposits and ICL advance being higher than the budget assumption.

Total operating expenses were \$15 million higher than budget. This is due to:

- \$9 million of depreciation and amortisation expenses due to the asset revaluation carried out in 2022 being significantly higher than anticipated within the budget assumptions;
- \$5.3 million of general expenses increased repairs and maintenance on Three Waters assets partly offset by lower use of consultants during the year;
- \$0.9 million of finance expenses due to higher interest rates on borrowings compared to budget assumptions.
- \$0.2 million of employee expenses are lower than budget due to timing differences between projected staffing levels, movements and actuals.
- Other gains and losses are \$1.9 million lower than budget due to the impairment of financial assets offset by net gains on sale of property, plant and equipment and the revaluation of Council's biological assets being higher than the budget assumption.
- \$5 million of property, plant & equipment revaluation gains were recognised this year to meet fair value requirements. The budget assumption was for revaluations to occur every three years with the last one being in 2022.

Total other comprehensive income is \$4 million higher than planned due to the revaluation of roading assets offset by a net devaluation in carbon credits and cashflow hedges. These were not budgeted for.



Total assets are \$26 million higher than budget. This is principally due to the following:

- Cash and cash equivalents are \$2.8 million higher due to differences in cashflow movements of Council for the year;
- Receivables are \$4.8 million higher due to timing differences of invoices issued that have been accrued in June 2022 & 2023;
- Other financial assets are \$0.4 million higher due to additional Council lending to ICL;
- Work in progress budget is \$33.7 million higher as it is included within property, plant and equipment.
- Property, plant and equipment is \$5.7 million lower due to some capital projects not being completed by balance date and remaining within the work in progress balance.
- Intangible assets are \$3.4 million lower due to some computer software projects remaining within the work in progress balance as they were not completed at balance date.
- Investment property is \$0.6 million lower due to property values being revalued lower than expected.
- Investment in subsidiaries is \$7.5 million lower due to budgeted share purchases in ICHL not being required.
- Derivative financial instruments are \$0.8 higher than budget due to changes to the value of the contractual undiscounted cash flows of the financial instruments. They were not budgeted for.

Total liabilities are \$27 million lower than budget. This is principally due to the following:

- Trade and other payables are \$1.6 million lower due to timing differences of larger contractor payments which have been accrued in June 2022 & 2023.
- Total borrowings are \$24 million lower due lower funding requirements as the Council deferred and reapportioned parts of the capital programme to a later year. This includes Project 1225 and Branhholme pipeline work.
- Retained earnings are \$7 million lower due to Council recording a larger operating deficit for the year.

Offset by:

- Other reserves are \$60 million higher due to the actual 2022 and 2023 asset revaluations being higher than the budget assumptions.

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

5. Events after balance date

HWCP loan agreement variation

On 26 September 2023, the Directors of Invercargill City Property Limited signed a resolution to amend the terms of the loan agreement between Invercargill City Property Limited and the HWCP Management Limited

In 2017 HWCP Management Limited (the Borrower) and Invercargill City Property Limited (the Lender) entered into a loan agreement (the Agreement). The Agreement was for a facility of \$5,000,000 as varied in accordance with the terms of the Agreement. Currently the facility has been drawn by the Borrower in the amount of \$4,201,488 comprising loan and interest repayments as at 30 June 2023. This loan is recorded in the Group's financial statements at a fair value of \$645,891 as at the year then ended. The parties have agreed to vary the loan agreement on the terms set out below.

Clause 4.4 is deleted and replaced with the following new clause 4.4

4.4 The Borrower must pay to the lender either:

4.4.1 the funds available from the sale of land held by the Borrower (for the avoidance of doubt sale price less the costs of disposal); or 4.4.2 all amount owing under the Agreement in relation to the Facility on the Termination Date

Whichever is the lesser of those two amounts. Upon sale of the Borrower's assets the Lender agrees to forgive the balance of the amount owing (if any).



Southland Regional Development Agency (Great South)

Southland Regional Development Agency on 4th July 2023 Space Operations NZ Limited took over the ownership of Warkworth Station.

Public consultation – Invercargill Central Limited (ICL) refinancing

On 14 September Council agreed to go out to the public to consult on options for the restructuring of the debt facility with ICL and also to increase the Council Group's equity investment in the company.

Public submissions on the consultation closed on 14 October. Public hearings were held on 24 and 25 October, deliberations regarding the proposal and feedback are still ongoing.

The outcome of this decision could impact the judgements made in relation to the credit impairment of the loan to ICL and the value of the equity investment in ICL.

The impact on the ICL loan balance cannot be quantified until the outcome from the consultation is known

Rugby Park Stadium

The ICCT Board and Council continue to negotiate the terms of settlement, refer to note 23.1.

6. Water services reform programme

The New Zealand Government is implementing a water services reform programme that is intended to ensure all New Zealanders have safe, clean and affordable water services. The Government believes this will be achieved by establishing new public entities to take on the delivery of drinking water, wastewater and stormwater services across New Zealand. The reform will be enacted by three pieces of legislation:

- The Water Services Entities Act 2022, which (as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023) establishes ten publicly owned water services entities and sets out their ownership, governance and accountability arrangements. A water services entity is established (for transitional purposes) on the date on which the appointment of the entity's establishment board takes effect, and its establishment date (operational date) will be a date between 1 July 2024 and 1 July 2026.
- The Water Services Legislation Act 2023, which amended the Water Services Entities Act 2022 on 31 August 2023 to provide for the transfer of water services assets and liabilities to the water services entities.
- The Water Services Economic Efficiency and Consumer Protection Act 2023, which provides the economic regulation and consumer protection framework for water services. The consumer protection framework will come into force on 1 July 2024 and the rest of the Act came into force on 31 August 2023







Private Bag 90104, Invercargill 9840, New Zealand - Phone 03 211 1777 - www.icc.govt.nz

